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CIVIL-SERVICE RETIREMENT

GREAT BRITAIN AND NEW ZEALAND

BY
HERBERT D. BROWN



Prepared under the direction of
CHAS. P. NEILL
Commissioner of Labor



JANUARY 17, 1910.—Referred to the Committee on Public Expenditures
and ordered to be printed

WASHINGTON
GOVERNMENT PRINTING OFFICE
1910

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IN THE SENATE OF THE UNITED STATES,

April 5, 1910.

Ordered, That 1,000 copies of Senate Document No. 290, Sixty-first Congress, second session, entitled "Civil-service retirement in Great Britain and in New Zealand," by Herbert D. Brown, be printed, with corrections, for the use of the Committee on Civil Service and Retrenchment.

CHARLES G. BENNETT,
Secretary.

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LETTER OF TRANSMITTAL.

DEPARTMENT OF COMMERCE AND LABOR,
OFFICE OF THE SECRETARY,
Washington, January 13, 1910.

SIR: In pursuance of Senate resolution of January 11, 1910, directing this department to furnish, as soon as practicable, "such information as may now be in the possession of the Bureau of Labor on the subject of foreign and domestic retirement plans for employees of government civil service and in the service of industrial and transportation corporations," I have the honor to transmit herewith reports relating to civil-service retirement in Great Britain and in New Zealand.

The Bureau of Labor now has in course of preparation reports covering civil-service retirement systems in Austria-Hungary, Canada, France, Germany, New South Wales, and other foreign countries, and also a report covering existing provisions for retirement for public-school teachers and other municipal employees, and for employees of railroads in the United States. These reports will be transmitted at as early a date as practicable.

The forthcoming Twenty-third Annual Report of the Bureau of Labor, which will be available within a few days, covers quite fully old-age retirement systems in force in industrial and transportation companies in this country.

Respectfully,

BEN. S. CABLE,
Acting Secretary.

HON. JAMES S. SHERMAN,
President of the Senate, Washington, D. C.

CIVIL-SERVICE RETIREMENT IN GREAT BRITAIN.

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CIVIL-SERVICE RETIREMENT IN GREAT BRITAIN.

BY HERBERT D. BROWN.^a

SUMMARY.

The British Government has been experimenting for over a century with different schemes for solving the problem of superannuation in the civil service.

The first general act dealing with the subject of superannuation in all the offices of the Government was passed in 1810. From a very early period, however, superannuation funds had existed both in the Customs and the Excise departments. After 1810 those funds were appropriated by the Government and paid into the exchequer, and a general system obtained of granting superannuation allowances to the civil service out of the revenues of the country, without the existence of any superannuation fund. This system continued in force for twelve years.

The expenditures for pensions increasing very rapidly, Parliament passed an act in 1822 which readopted the liberal scale of superannuation allowances of the year 1810, but with the provision that deductions should be made from the salaries of those employees of the civil service receiving more than £100 (\$486.65) per annum. The deductions were formed into a fund, and when a civil servant died in office or when he resigned or was removed from office without receiving a retiring allowance, the whole amount of his contributions was repaid to him. The law also provided that half of the superannuation allowances granted after that period should be paid from the fund so created and that the other half should be paid from the Consolidated Fund. This scheme was not given a fair trial, for only two years later, in 1824, Parliament repealed the act and ordered that the sums which had up to that time been deducted be paid back.

From 1824 until 1829 followed a second period during which pensions were granted by the State, without deduction from the salaries of civil-service employees.

In 1829 the Treasury, accepting the contention that it had no right to tax existing members of the service, but desirous of lessening the pension charge, passed a minute directing that contributions should be paid by all those who might afterwards be appointed to the

^a Mr. Brown desires to give credit to Harriet Connor Brown for valuable assistance in the collection of historical data.

civil service. The deductions from salary were $2\frac{1}{2}$ per cent from salaries not exceeding £100 (\$487) per annum and 5 per cent from those exceeding that amount. This was understood to be a provisional measure, subject to the final decision of Parliament.

The Superannuation Act of 1834 gave parliamentary sanction to this Treasury minute of 1829, and from 1829 to 1857 the contributory system of granting superannuation allowances was in force for all who entered the civil service subsequent to August 4, 1829. This act contained no express direction for the creation of a superannuation fund and it made no provision for the return of contributions in case of death or resignation before the contributor had received a retiring allowance. Owing to the fact that the contributions of the employees were turned into the general exchequer instead of being funded and that no account was kept of the amounts thus collected and the amounts returned in the shape of pensions, it was not known whether the contributions were adequate in the aggregate to meet the expenditure for pensions, or whether they were inadequate. An impression prevailed that they were more than sufficient and that the Government was, therefore, making a profit out of its employees. In view of the fact that the salaries were felt to be inadequate, this impression created widespread discontent in the service. This discontent was deepened by the fact that the law required forfeiture of contributions in the case of all employees save those who lived to the pensionable age. It was calculated that only one of every seven employees lived and remained in the service to that age. The fact was bitterly resented that many employees contributed for years to their pensions but, dying in harness, or soon after retirement, had to forfeit all or nearly all they had thus set aside, while their families were perhaps left in want. The fact, too, that pensions were paid those who had entered the service prior to August 4, 1829, without deductions being made from their salaries, and on a more liberal scale than that allowed the general body of the service, was another cause of discontent. Because of these various inequities and discriminations the dissatisfaction of the service with the provisions of the act came in time to be very intense.

In 1846 a large number of civil employees formed themselves into an association for the purpose of bringing their grievances to the attention of Parliament. This association was in existence for about ten years, during which time it worked out various data and classifications which it laid before a select committee of the House of Commons appointed in 1856 to consider the regulations respecting the grant of superannuation allowances to members of the civil service. Besides desiring that the scale of pensions should be made more liberal, and that pensions should be granted free by the State, one branch of this committee of civil servants was desirous that

compulsory deductions should continue to be made from salaries, but that they should be used to create a mutual insurance fund.

The Select Committee took testimony from a great number of public officials and clerks and also engaged the services of two actuaries to investigate the question of the sufficiency of the deductions made from the salaries of the civil servants to meet the pensions provided under the Act of 1834. To the surprise of the public generally, since an impression to the contrary had prevailed, the actuaries reported that the contributions of the civil servants were not adequate to meet the charges to which the public was liable under the Act of 1834. In other words, had the deductions from salaries been funded from the first, the fund would, by that time, have been hopelessly insolvent.

Before the report of the actuaries had been submitted, however, the Civil-Service Superannuation Commission, which succeeded the Select Committee, had recommended the abolition of the contributory system on the ground of its inequities and the consequent dissatisfaction of the civil employees with its provisions. Section XXVII of the Superannuation Act of 1834, providing for deductions from salaries, was accordingly repealed in 1857.

Following this repeal, the Superannuation Act of 1859 was passed. It repealed most of the Act of 1834 and established a system of uniform free pensions for all persons employed in the "permanent civil service of the State." The scale of pensions established was that of one-sixtieth of salary for every year of service, with a maximum allowance of forty-sixtieths. Retirement on a superannuation allowance was permitted at the age of 60, or in case of mental or physical infirmity after ten years' service, but no power was given the State to compel retirement at any age. In cases of infirmity when the period of service had been less than ten years, a gratuity of one month's pay for each year of service was given. The desire of the civil employees for the creation of an insurance fund was ignored. As regards the main body of pensionable civil employees the scheme inaugurated in 1859 has remained substantially unaltered down to the present year (1909).

The Superannuation Act of 1887 and the Workmen's Compensation Act of 1906 have made supplementary provision for the award of pensions and gratuities to various classes of government employees not provided for by the Act of 1859. There are also special acts relative to the pensions of judges, diplomatic and consular officers, colonial governors, police and constabulary, elementary-school teachers, etc. Except in the case of the elementary-school teachers, who have a contributory fund, these pensions have been paid out of the public treasury. No special funds are set aside for the purpose, but Parliament votes from year to year the amount required.

Although it might be supposed that the establishment of a straight pension system would have been entirely satisfactory to the employees themselves, the evidence submitted to various select committees and special commissions shows that such was not the case. The theory gradually gained ground—especially after the investigation of the civil establishments made by the Ridley Commission in 1886–1888—that the pensions were taken into account in fixing salaries, and that the salaries were accordingly less than they would be had no pension system been adopted. This theory was based on the contention that pensionable members of the civil service are paid less than nonpensionable members. The Ridley Commission recommended that a deduction of 5 per cent of salaries be set aside to form a savings account, but the recommendation was not acted upon.

A committee of employees, which took the name of the Deferred Pay Committee, was organized, and as a result of their agitation, the Courtney Commission was appointed in 1902 to investigate the grievances of the civil employees. The latter held that not only were their salaries lower than they would have been had the pension system not been adopted, but that the amount withheld from their salaries was more than sufficient to pay the pensions. They thought at first that they had high Treasury authority for believing that from 16 to 20 per cent was withheld from salaries to pay pensions. Knowing that that per cent of pay is considerably more than had been found necessary in industrial pension systems for the payment of retiring allowances, they asked that life insurance be given them in addition to the pension and as an offset to the excessive deductions from salary. Inquiry developed the fact that the current idea that from 16 to 20 per cent was deducted from salaries was based on an erroneous interpretation of statements made by Treasury officials. The employees then urged that an investigation be made to ascertain just what percentage of salary was being deducted for that purpose. This request was not granted, the commission holding arbitrarily that no more than the amount necessary to pay pensions was withheld from salaries. They recommended, therefore, that life insurance be granted the employees, not in addition to the pension, but in substitution of part of it.

The recommendations of the Courtney Commission were submitted by the Deferred Pay Committee to a plebiscite of the civil service, with the result that 80 per cent of the service declared themselves in favor of the change. On September 20, 1909, a law was accordingly passed reducing the amount of the pension by one-quarter, and substituting in its place a provision for a cash payment in case of death or retirement from the service. Instead of receiving a pension of one-sixtieth of salary for each year of service rendered,

as formerly, the civil employee of England will receive, henceforth, a pension of one-eightieth of salary for each year of service. Since the maximum period of service which is recognized is forty years, it follows that the pension is reduced from a maximum pension of two-thirds pay to a maximum pension of one-half pay. To balance this reduction of pension several new benefits are given. Any employee who retires after two years' service gets, in addition to the pension (if any) or the gratuity (if any), an additional lump-sum allowance of one-thirtieth of his annual salary for every year he has served. In case an employee dies after five years' service, a cash sum, as a life insurance, equal to one year's pay, is given to his legal representatives. If an employee dies after he has retired from the service, before receiving the whole of a year's pay, the State pays the difference to his family.

This last legislation must be regarded as a recognition of the employees' contention that, in fixing salaries, the practice has grown up of taking into account the value of the pension. The civil pension in England has come to be the equivalent of a deferred annuity paid for by the difference between the salary actually received and the salary that would be received were there no pension. Hence, in practical operation, the pension system of England is virtually a contributory system.^(a)

The cost of the British system is interesting. Under date of February 19, 1909, the British Foreign Office made the following statement, in reply to an inquiry sent out by the Department of Commerce and Labor concerning Great Britain's pension plan for civil servants:

Speaking generally, the greater part of the clerical establishment of the civil service (except persons engaged in routine duties such as copying) is pensionable, while in the arsenal, dock yards, etc., pension rights are, as a rule, confined to the directing posts, and a proportion only of the lower staff. The number of existing civil pensioners is approximately 22,500, and the amount voted for pensions, etc., in respect of the civil service proper (i. e., exclusive of provision for elementary school-teachers, constabulary, and police), in the current year, was £1,842,260 (\$8,965,358). The great majority of existing pensioners are men, the employment of women in the public service in anything like considerable numbers being of comparatively recent date.

What the total noneffective charge is, including pensions for the established employees and gratuities for the nonestablished, besides the pensions payable to teachers, constabulary, police, members of the judiciary, and other public servants provided for under special acts of Parliament, is not given. Since, however, the total charge for pensions, gratuities, and compensation allowances was stated in 1902-3 to the Courtney Commission to be approximately two and a

^a See Conclusions, p. 181.

half million pounds (\$12,166,250), it is safe to estimate that it is no less than that in 1909. That it will grow less is very unlikely, for the history of civil pensions throughout the world shows that there is always a constant tendency to extend the benefits of a pension system to new classes of public servants.

SUPERANNUATION PROVISIONS BEFORE 1810.

From an early date it seems to have been taken for granted in Great Britain that the Government was under a moral obligation to make provision for its civil employees in case of retirement from office by reason of age or infirmity. Such an opinion was rendered by the commissioners of inquiry appointed in 1786 by the act of 25 Geo. 3, c. 19, to inquire into the fees, gratuities, perquisites, and emoluments received in certain public offices. It was indorsed in the report of the three principal Secretaries of State to the Lord President, dated February 23, 1795, in the following words:

When an officer either from age or infirmity is obliged to retire, we agree with the commissioners in opinion that a decent provision ought to be afforded him, and we do not see that any objection can arise to its being paid out of the general fund; but with respect to the extent of such provision, we think it ought to be decided on a consideration of the merit and service of such an officer, and not by any fixed rule.

Pensions to officers of the Crown, especially those who had held high and important positions in the civil service for a shorter or longer period, had accordingly been granted from time to time.

THROUGH LIFE OFFICES, SINECURES, PLURALISM, AND SUBSTITUTE SCHEMES.

Not, however, until the beginning of the nineteenth century was any general system of superannuation established. Before that time, recourse was had to inconvenient devices for securing the funds necessary for the payment of old age and infirmity allowances. Public officers who retired from the civil service were provided for in various ways. In some cases the practice of granting certain offices for life dispensed with the necessity of any such provision. The case of an employee in the Treasury, who had become superannuated without retirement, was noted in the following language by the commissioners of 1786:

The attendance of one of the chief clerks having been of late years dispensed with on account of his age and infirmities, the duty has devolved entirely upon the remaining three, who have been found sufficient for the execution thereof.^(a)

In some cases the existence of sinecures proved a haven for the worn-out and inefficient. In the opinion of the Commissioners of

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, p. 152.

Inquiry, for instance, the establishments of the Home Secretary, with an office force of sixteen, and the Foreign Secretary, with a corps of fifteen, might have been maintained with half the number. They said:

From what we have been able to collect, the general business of the office is scarcely sufficient to furnish full employment for the clerks at present borne upon the establishment, and we consider their present number as rather to be justified by the propriety of having fit persons always in readiness upon any extraordinary pressure of business than from the degree of employment which the office ordinarily affords. If they were reduced to eight in each department, Your Majesty's service might not suffer from such reduction.^(a)

Only the official records can give any adequate idea of the extent of pluralism in the British civil service during the eighteenth century. Provision was made for old age by officers in active service through saving and investment of incomes derived from offices, the duties of which were executed by deputies. For years almost every officer of rank in the Treasury had some provision of this kind. In other departments also there were many receiving double salaries. The receiver-general of the Post-Office was a commissioner of the Salt Office. The superintending president of the Post-Office was searcher of the customs for the port of Chichester. The receiver and registrar of the Hackney Coach Office was comptroller of the Tea Warehouse under the Board of Customs. Nor was the system confined to the higher appointments. A clerk in the Penny Post-Office was also deputy to the husband of the Four-and-a-half per cent duties in the Customs. A messenger in the Bye-letter Office was a stamper in the Stamp Office. Concerning this state of things the commissioners of 1786 had this to say:

So far as these emoluments (alluding to those arising from sinecures) have been applied to increase the incomes of officers inadequately paid, and to form a provision for them on retirement, but so far only they have been of use, and, while officers remain on their present footing, are, perhaps, in some degree, necessary. But we think that an establishment may, and ought in wisdom, to be found, in which such a species of emolument would be superfluous and redundant; an establishment by which every public officer should be paid for his services, not under false pretenses and in uncertain measure, but openly, and in proportion to the service he performs; an establishment which should entitle him to a provision upon retirement, not dependent upon caprice or accident, or arising from the perpetuation of abuses, but known and certain, free from the competition of individuals, or the animadversion of the public.^(b)

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, p. 151.

^b *Idem*, p. 154.

The practice, at that time common, of charging the salaries of public officers with retiring allowances to their predecessors—a form of what is now advocated in the United States in certain quarters under the name of the “substitute plan”—afforded still another means of providing for retired employees. The following case was noted in the Treasury by the Commissioners of 1786:

The keeper of the papers has a salary of £400 [\$1,946.60] a year, reduced by the one shilling duty, and an allowance of £40 [\$194.66] to his deputy, to £340 [\$1,654.61], the whole of which he pays to Thomas Pratt, esq., during life, who resigned office in his favor in the month of January, 1783.^(a)

A similar and more flagrant case recorded by the commissioners in their report on the Post-Office Department was that of the packet agent at Dover, who granted allowances to his predecessor and received them from his successor in another office.

He has a salary of £150 [\$729.98] a year, reduced by taxes, etc., to £123, 13s. 8d. [\$601.90]; he has an allowance of £200 [\$973.30] a year for providing extra boats when the service requires, reduced by agency in London to £194, 18s. 8d. [\$948.64], and an allowance of £10 [\$48.67] a year for stationery; he likewise derives certain emoluments from agency on the passage, which is at the rate of 10s. in every guinea on what is called ‘allowed freight;’ the average of which, from the 15th July 1775, to the 5th January 1787, being eleven years and a half, was £941, 18s. [\$4,583.76], making the average of his net annual receipt £1,270 10s. 4d. [\$6,182.97], which he now receives for his own use; but previous to the death of Mr. Barham, which happened in October last, he paid to him £800 [\$3,893.20] a year, as a compromise for the clear annual income of this office, which by order of the Postmaster-General, dated 16th November 1774, he was directed to pay to him during his life; to indemnify him for such payment, he was to receive from Mr. Lees, his successor in Ireland, the clear annual income of his office, as secretary to the Post Office there, during the life of Mr. Barham, which was likewise compromised for a net payment of £750 [\$3,649.88] during the life of Mr. Barham, and of £150 [\$729.98] annually after his death; which engagement is now in force, and will add so much to his annual receipt.^(b)

THROUGH FUNDS CREATED IN VARIOUS DEPARTMENTS FROM FEES AND TAXES.

The power then existing in different departments of granting pensions chargeable upon various funds, such as fee funds and contingencies, offered another means of providing for the superannuated. The commissioners of 1786 found three instances in the Treasury in which allowances had been charged to the fee fund, which proved inadequate for the strain thus put upon it. The record is as follows:

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, p. 152.

^b *Idem*, p. 153.

One of the three superannuated clerks, Thomas Tomkins, retains only his salary of £100 [\$486.65] out of the civil list. The two others, Frederick Reynolds and James Royer, have allowances by order of a minute of the Treasury Board of 16th December 1783, of £300 [\$1,459.95] a year each, charged on the fee fund, besides which the latter has a salary of £200 [\$973.30] a year out of the Customs, having been formerly a clerk in the Revenue Office, and his name still remaining on that establishment; but Mr. Royer, notwithstanding frequent applications, has not yet received any part of his allowance of £300 [\$1,459.95] a year out of the fee fund, this fund not having proved sufficiently productive for that purpose, in which case the minute directed that it should be paid out of any other fund the board might think fit.^(a)

From taxes levied on official salaries an annual sum was obtained which formed a substantial addition to the national revenue and was regarded as an offset to the amount paid out by reason of superannuation in office. The taxes so levied appear to have been three in number. A land tax, amounting in certain cases to a deduction of 20 per cent and originally intended to operate as an equitable income tax on real and personal property, was still charged on some classes of salaries. A duty of 6d. in the pound (termed the civil-list duty) and a duty of 1s. in the pound were also imposed. The amount produced in 1796 from these two last-named duties was no less than £73,991 (\$360,077.20). These duties were not collected, of course, without expense. The receivers were remunerated by a poundage; "one class of servants having, it must be presumed, been overpaid, it was necessary to pay others in order to cover the excess." In cases where salaries were avowedly not more than sufficient, it was pointed out by the commissioners that such taxes only recoiled upon the public "by creating new claims to consideration, which must in justice be satisfied," and they recommended, therefore, that the salaries of officers should be exempted from all taxes and duties.

As afterwards pointed out by the Commissioners of 1857, any such mode of retiring servants as those just described, was "obviously most objectionable in principle, and liable to great abuse in practice, both as regards due economy in the public expenditure, and the fair and equal remuneration of public servants. Indeed, it may be doubted whether such a state of things could have continued so long, had not the whole number of civil servants been at that time small, as compared with the amount of our present establishments. In time, however, it became apparent that, if a provision were to be made for retired servants, the objectionable means hitherto employed for that purpose had become quite inadequate; as well from the great increase in the number of civil servants, as from the effects of financial reforms in drying up the sources from which means had been obtained."

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, p. 152.

THROUGH FUNDS CREATED IN THE EXCISE AND CUSTOMS BY DEDUCTIONS FROM SALARIES.

An attempt was made, therefore, early in the nineteenth century, to establish a system of granting superannuation allowances, and to make it apply to the rank and file of the civil service as well as to the high officials. From a very early period superannuation funds had existed both in the departments of Excise and of Customs. The Excise fund, which was originally called "The Excise Charity Fund," was established by a Treasury minute, dated February, 1686, by a deduction of 3d. in the pound on the salaries of all "general riders, general supervisors, collectors, surveyors, gaugers, and clerks." In the disposal of the money the following rules were to be observed:

First. No officer who had not served seven years was to receive any sum of money or pension, unless disabled by accident.

Second. The pensions were to vary according to the grade of the officers, the maximum being £30 (\$146) and the minimum £15 (\$73).

Third. No officer was to be allowed a pension, if, from any other source, he possessed an income equal to the pension assigned to his grade.

An act (49 Geo. 3, c. 96) was passed in 1809, which granted to officers incapacitated by age or infirmity, after ten years' service, three-fourths of their salary, taken on the average of the last seven years. The same proportion of last salary was granted to officers disabled by accident, irrespective of length of service, but it was provided that no such superannuation should be granted to an officer in receipt of less than £180 (\$875.97) per annum.

The Customs fund appears to have existed at least as early as the year 1708. It was confined at first to the inferior officers of the service. The rate of deduction was 3d. in the pound and the fund was increased by the fines imposed on officers for breach of discipline. Gradually the benefit of the fund was extended to classes higher in rank than those for which it had originally been formed. A Treasury warrant of 1779 added landing surveyors, landing waiters, and other superior officers. Fees belonging to 196 offices, abolished in 1798 by the 38th of Geo. 3, c. 86, were turned in to the superannuation fund.

The first formal proceedings of the Government looking toward the establishment of a general system of superannuation allowances are found in Treasury minutes of 1802, 1803, and 1807. The first minute, dated July 30, 1802, granted allowances ranging from £100 (\$486.65) to £200 (\$973.30) on retirement in consequence of physical infirmity, under the name of compensation, to a few classes of officers of the Customs. No regulations were made as to age or length of service. The second minute, dated the 10th of August, 1803, was passed

because the Lords of the Treasury had discovered that the allowances granted the previous year did not bear a fair proportion to the emoluments of the respective offices. They fixed, therefore, the sums which were to be taken as the annual incomes of the several grades and then prescribed a graduated scale of allowances, according to which one-third of the salary was allowed to officers who had served ten years and were reported incapable of executing their duties; one-half was allowed after service of from ten to twenty years, and two-thirds after twenty years, to officers retiring at less than sixty years. In the case of officers more than sixty years of age two-thirds of salary was allowed after only fifteen years of service. The third minute, dated November 7, 1807, extended the arrangement to numerous other classes of officers of the Customs, and in this position the matter stood at the passing of the general act of 1810.

SUPERANNUATION ACT OF 1810.

REPORT OF COMMITTEE OF 1808 THE BASIS FOR ACT OF 1810.

In the year 1808 a report was made by the Committee on Public Expenditures on the subject of the pensions, sinecures, and rever-sionary grants paid out of the public revenues, which led to the first general enactment on the subject of superannuation. Although there was at that time no regular system of superannuation, except in the Customs and Excise, as explained above, a large number of retired allowances, included under the general head of "pensions," came under the notice of the committee. The entire want of fixed rules governing the grant of superannuation allowances was noted and deplored by them. Their attention was drawn particularly to a large amount of "dead wood" in some offices, the practice having arisen, in case of deficiency of the fee fund, of carrying pensioners on the regular civil list. This meant that much of the sum voted for any office for current expenses was not paid out in the form of salaries to those carrying on the work, but was spent for pensions to those no longer able to work. The committee held that "annual allowances ought not to be granted generally, and without special reasons, to persons retiring from official situations," and that when pensions were granted in any office the accounts should be kept entirely separate from the salary account.

In view of the loose way in which provision was made for the payment of superannuation allowances, the committee recommended that a stricter account be kept of pensions granted and the reasons for their bestowal. They suggested the expediency of limiting allowances to a certain proportion of the former salary and laid stress on the principle that duration of service should be taken into consideration

in fixing the amount of the allowance. Their recommendations are contained in the following extract:

Under all these circumstances your committee do not hesitate in submitting to the House, that all allowances in the nature of pensions, which are not strictly superannuations, should be classed under their proper head, and paid at the exchequer; preserving, at the same time, entries of such pensions, together with the circumstances under which they have been granted, on the establishment of the offices in which the services have been performed.

It may be also expedient to limit the sums in which allowances may be applied to cases of superannuation, so as not to exceed a certain proportion of the former salary.

The regulations under which superannuations are granted in the Customs deserve the attention of the House, as uniting a due consideration toward long and meritorious service, with a just attention to economy.

By a resolution of the House of Commons of Ireland, 7th April 1784, no yearly allowance was permitted to be placed on incidents in cases of superannuation, except for officers who shall have served forty years without censure, or officers who shall have received a wound or hurt in the service, amounting to a total disability, or for widows of officers who shall have lost their lives in the service of the revenue; but by a subsequent revision of that resolution, 26th July 1793, twenty-five years were substituted instead of the term of forty years, as being sufficient to answer the purposes of the said resolution respecting the placing on incidents any yearly allowance for superannuated officers of the revenue, who have already served, or shall have served, the said term of twenty-five years without censure.

These general, unqualified expressions, have been, perhaps, liable to misconstruction, as if they were calculated to convey a sort of right of superannuation after twenty-five years of service; whereas it is to be presumed that it never would have been the intention of the House of Commons to countenance a new claim on the part of the officers, but, on the contrary, to impose a restraint upon executive government, from granting any such allowances even to superannuated officers, unless where they had served meritoriously the prescribed number of years, or had otherwise been incapacitated in the public service, as described in the resolution.

With regard to the salary and emoluments of each separate department, the public ought unquestionably to be served as cheaply as is consistent with being served with integrity and ability; but it must be recollected that what makes office desirable in the higher departments is not the salary alone, but the consequence and consideration attached to it, the power of obliging friends, and of creating dependents; and in the lower degrees the chance of gaining advancement by industry and talent. The principle of gradually increasing salaries after certain periods of service, and at fixed intervals, if they are not made too short, is highly to be approved, as holding out a due encouragement to diligence and fidelity. In all cases of superannuation, duration of service should be an essential requisite, and even then regard should be had to the condition of each individual, as to his ability of continuing the official labors, and to his situation in life from other causes.

In many instances, where allowances have been granted as compensation for the loss of office, or upon the plea of superannuation, the persons who have obtained them have, at subsequent periods, been appointed to other offices, in both which cases it is obvious that the allowances ought to have ceased.

The true principle applicable to all offices is, that public money should not be granted without reference to duty; and all exceptions whatever ought to be justified under the special circumstances attending such case.^(a)

MAIN FEATURES OF THE ACT.

As a result of the report of the Committee on Public Expenditure and their recommendation that the regulations under which superannuations are granted in the Customs should be considered by the House, "as uniting a due consideration toward long and meritorious service, with a just attention to economy," the Act of 1810 (50 Geo. 3, c. 117) was passed. The principal features of this act were the provision for an annual statement of the increase and diminution of public salaries, pensions, and allowances, the prohibition of the practice of charging superannuations or compensations on the expenses or funds of any office without the concurrence of the Treasury, and the separation of military and naval pensions from civil allowances in the annual estimates of the Army, Navy, and Ordnance. Provision was also made that in offices having a fee fund, compensation and superannuation should be chargeable in the first instance on such fund, the deficiency, if any, being made good, in the offices of the Secretary of State, the Privy Council, and the Treasury, out of the civil list; in other cases by a parliamentary vote. The scale of remuneration was similar to that prescribed by the minute of 1803 for retired officers of the Customs, with the addition that any officer over 65 years of age might receive a pension of three-fourths of salary in case he had served forty years or more, or the whole of salary in case his length of service had been fifty years or more.

Since this act made pensions to Customs and Excise officers payable out of the public revenues, a Treasury minute was passed March 26, 1811, directing that the accumulated Customs fund, consisting of about £165,000 (\$802,972.50) stock should be paid into the exchequer. Two acts were passed in the year 1812 directing that the Excise fund, consisting then of £73,900 (\$359,634.35) three per cent consols, the value of which was £45,324 (\$220,569.25), should also be paid into the exchequer.^(b)

The superannuation funds which existed in the Customs and Excise having been appropriated by the Government and paid into

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, pp. 154, 155.

^b Report on Civil Service Superannuation. 1856. p. 2.

the exchequer, there existed then under the Act of 1810 a general system of granting superannuation allowances to the civil service out of the revenues of the country without the existence of a superannuation fund of any kind. This act continued in force for twelve years, and during that period pensions were granted from the Consolidated Fund without any abatement from salaries, and entirely at the cost of the public.

The Act of 1810 was undoubtedly intended to operate as a check upon the grant of pensions. It had, however, exactly the opposite effect. The act made no regulations to check retirements from office. The liberality of the pension scale established was really a temptation to seek retirement. It should be noted that although one-third was fixed as the maximum allowance for ten years' service, the Treasury was left at liberty, as soon as the ten years had been exceeded by the smallest interval, to grant one-half. Furthermore, the superannuation was to be calculated upon the salary of which the individual was in receipt at the time of retirement, not on the average of that received during a certain number of years. A great increase in the pension charge resulted. The charges of the years 1810 and 1820 for superannuation allowances, including compensations for loss of office, in the purely civil departments were, respectively, £94,550 (\$460,127.58) and £291,068 (\$1,416,482.42), and those of the civil branch of the Ordnance Department had increased from £27,916 (\$135,853.21) to £54,718 (\$266,285.15).^(a)

SUPERANNUATION ACT OF 1822.

TREASURY MINUTE OF 1821 THE BASIS FOR ACT OF 1822.

The next important step in the history of English superannuation measures was taken by the Treasury. In a minute of August 10, 1821, it laid down a principle that proved to be extremely influential in the subsequent legislation on the subject. This was a period of marked reduction in public expenditure following the war, and it was the spirit of retrenchment which animated the Treasury minute. "My Lords are of opinion that it is essentially necessary that some new regulations should be adopted, with a view of limiting this branch of the public expenditure in future (that is, the superannuation allowances), and they are of opinion that the mode of regulation which seems in all respects most eligible, is, to require that the individuals themselves who may hereafter enjoy the benefit of superannuation allowances, should be called upon to contribute to a superannuation fund, to be administered under the direction of their Lordships." This Treasury minute contained recommendations for a plan along the lines afterwards established by the Act of 1822. On January 8,

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, p. 157.

in the following year, another minute was issued recommending a general revision of the salaries of the civil establishments.

MAIN FEATURES OF THE ACT.

Based on these two minutes, an act of Parliament was passed in August, 1822 (3 Geo., 4, c. 113), which granted the same liberal scale of retiring allowances authorized by the Act of 1810 but required contributions from all civil servants whose salaries exceeded £100 (\$486.65) per annum. This act required that upon salaries between £100 (\$486.65) and £200 (\$973.30), 2½ per cent should be deducted; that upon salaries of upwards of £200 (\$973.30), 5 per cent should be deducted, to the extent of the regulated salary authorized by the minute of January, 1822; and that for any salary which any officer then holding office might receive above the regulated amount, 10 per cent should be paid. It was also directed that the abatements so made from salary should be formed into a fund, to be carried to the credit of the commissioners, for the reduction of the national debt at the Bank of England. Provision was made that, if any civil servant died in office, the whole amount of his contribution was to be paid to his legal representatives. Even after his resignation or removal from office, his contribution was paid back to him, provided he had not received any benefit from the fund.

The object of this act was thus explained by the Chancellor of the Exchequer:

The persons who, in ordinary cases, were to receive these allowances, it was intended to make contribute to a fund out of which such allowances in future were to issue. That arrangement would operate as something like reduction of salaries; but it would be a case of infinitely less hardship to make persons contribute in the active part of their lives to a fund which, in the decline of life and in retirement, would be a provision for them, than suddenly, and at one blow, to cut down their salaries without holding out any corresponding advantage.^(a)

REPEAL OF THE ACT.

This law held less than two years, for on June 24, 1824, it was repealed by an act of Parliament (5 Geo., 4, c. 104), which directed that all superannuation allowances granted after that date were to be paid from the Consolidated Fund and all contributions received under the previous act were to be returned to the contributors. There is a Treasury minute, dated January 25, 1824, which contains the details of that repayment. The sum then in hand, after paying the few pensions during the interval, amounted to £107,800 (\$524,608.70), which was repaid in the proportions there specified.^(b)

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, p. 158.

^b Report on Civil Service Superannuation. 1856. p. 3.

The reason for the repeal of the Act of 1822 was the plea on the part of the civil servants that compulsory deductions from their salary constituted a violation of contract on the part of the Government. The debates which occurred in Parliament on the subject indicate that the repeal was made entirely on that ground. The system of deductions was not popular with either Parliament or the civil service.

In the meantime the charge of superannuation allowances continued to increase. In 1827 it amounted, including compensation allowances, in the purely civil departments to £484,081 (\$2,355,780.19); in the civil branch of the Ordnance to £64,364 (\$313,227.41).^(a)

SECOND PERIOD OF FREE PENSIONS (1824-1829).

REPORT OF SELECT COMMITTEE OF 1828, RECOMMENDING REESTABLISHMENT OF SYSTEM OF DEDUCTIONS.

In the year 1828 the Select Committee on Public Income and Expenditure made important recommendations in regard to the salaries and pensions of civil employees. This committee inquired into the salaries given to the clerks in the India House, the Bank of England, two insurance offices, and one of the principal banking houses of London, and compared them with the salaries granted clerks in the civil service. As a result of this inquiry they stated in their report on salaries that "there does not appear to be any fixed system of superannuation allowances in commercial houses, and although some such allowances are given, the amount of them is small." They then proceeded to indorse the principle of deductions from salary for the purpose of creating a superannuation fund in the following language:

The committee are aware that there is not a strict analogy between the duties performed by clerks in public offices and those in commercial establishments; still, as far as comparison can be made, it appears that the salaries in the Ordnance Department admit of diminution. At present, without precluding themselves from hereafter advising a further reduction on a general and systematic principle, should it appear proper on more accurate investigation, they confine themselves to a recommendation to revert to the principle laid down in the minute of the Treasury in 1821, of making these salaries subject to a charge for forming a superannuation fund, the details of which they intend in the course of a few days to submit to the House in a separate report on superannuation allowances, half-pay, and pensions.^(b)

In the committee's report they accordingly recommended the reestablishment of the system of deductions. They alluded with

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, p. 158.

^b *Idem*, p. 159.

approbation to the principle laid down in the Treasury minute of August 10, 1821, that pensions should be provided by making deductions from the salaries of the persons entitled to them. The select committee proposed that deductions should be made from all salaries, both of those who had taken service previously to that date and of those who might afterwards enter the service. They recommended that those already in the service should be pensioned on the then existing liberal scale (the difference between the value of their pensions and the value of their contributions to be made up from the public purse), but that those who might afterwards enter the service should be given pensions equivalent only to the value of the deductions from their salaries so that the public might not eventually have to bear any part of the expense of these allowances. They pointed out that the loss occasioned the public by the repeal of the Act of 1822, which they considered to have been an admirable measure, was no less than £500,000 (\$2,433,250). They stated that from 1822 to the end of 1827 the superannuation and compensation allowances had increased in annual amount from £331,746 (\$1,614,441.91) to £484,081 (\$2,355,780.19).^(a)

The Chancellor of the Exchequer accordingly introduced a bill founded upon this report, and intended to give effect to the recommendations contained in it. He introduced it in language which showed plainly enough that the main interest of the Government in connection with the bill was the reduction of expenses rather than the establishment of a model superannuation measure, and that the deduction from salaries was preferred to a reduction of salaries. His speech is reported as follows:

The House had appointed a committee for the purpose of revising the expenditure of the country; and that committee had almost unanimously declared that such a measure as that which he had introduced ought to be carried into effect. Standing in the situation which he had the honor to fill, he should have been charged with a high degree of cowardice, if, after such a recommendation, he had refused to bring the measure before the House. On that account he was prepared to vindicate the bill, and to state the reasons on which the committee had come to their decision. The whole expenditure for the service of the country, the committee found to amount to twenty-one millions, and of this, five millions were appropriated to the ineffective service, including superannuation, pension, and retired allowances. The committee was anxious not to deprive the country of the active service of those who were engaged in the public departments; and they therefore turned their attention to consider if it were possible, without any deviation from just principle, prospectively to diminish the expenditure for services that were passed. Of the five millions which the ineffective service of the country cost, the committee found that nearly half a million was appropriated to the payment of the civil pensions, and this sum has been increased

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, p. 160.

within a few years from £330,000 [\$1,605,945] to £447,111 [\$2,175,865.68]. Finding that this sum was increasing so rapidly, they thought it their duty to recommend the measure before the House. He knew that the committee had balanced long between a reduction of the salaries, and this measure of making the officers contribute to their own superannuation. He, for one, opposed the reduction of salaries, because they had been fixed in the year 1821, after the effects of peace had been fully felt, and the measures for restoring the metallic currency had been adopted. It was better, on the whole, he thought, and the least likely to affect the future prospects of the different officers of our civil establishments, to adopt this measure relative to their superannuation, than to alter their salaries.^(a)

Sir Henry Parnell also stated that the opinion of the committee was in favor of a considerable reduction of salaries, but that they had taken, instead, a course much more favorable to the clerks, namely, that of proposing to reduce them by a small percentage, in the way provided in the Act of 1822. And he added his conviction that "the clerks had much better consent to this arrangement than defeat it, and thus make it necessary to examine more closely what ought to be the exact reduction which the public interests required to be made."

The bill was withdrawn, however, in consequence of an objection made on behalf of the civil servants, on the same ground as before, that the imposition of deductions would, as regards them, be contrary to their terms of service. Strong statements were also made to the effect that the salaries were not sufficiently high to bear deductions, although the select committee had recorded its opinion otherwise, as follows:

It is obvious that in recurring to the provisions of the Act of 1822, the rate of salary attached to each office should be such as may be deemed fairly sufficient to bear the deduction which it is proposed to make from it; and when it is considered that the Treasury revised and fixed the salaries of the several departments in 1821, when the deductions in aid of the superannuation fund were first established, it does not appear that a revival of that principle would press too hardly at the present time, and under the present circumstances of the country, upon the fair emoluments of the officers and clerks who are now in office.^(b)

TREASURY MINUTE OF 1829 REESTABLISHING SYSTEM OF DEDUCTIONS.

Although the bill was withdrawn, Treasury officials did not give up the notion of reducing pension charges by exacting contributions from the civil servants. They observed that the objection which had been made successfully against the Act of 1822 and the proposed bill of 1828 that deductions from salary would mean a violation of the terms of contract did not apply to future entrants. They accord-

^a Report on the Operation of the Superannuation Act. 1857. Appendix XII, p. 160.

^b Report on Civil Service Superannuation. 1856. p. 4.

ingly proceeded to issue the famous minute of August 4, 1829, directing that contributions should be paid by those who might afterwards be appointed to the service. The text of this important minute reads as follows:

My Lords have under their consideration the necessity of adopting some regulation, with a view to reduce, at a future period, the heavy charge which is now annually incurred in providing superannuation for such persons as are incapable, from infirmity of mind or body, of discharging the duties of their public situations.

My Lords trust that they shall be enabled, at an early period, to make such an arrangement as shall be just to parties entering into the public service, while it shall ultimately lead to a large reduction of expense.

My Lords therefore deem it advisable that a distinct intimation should be given to every individual who may hereafter enter into the civil service of the Crown at the time of his admission to office; that he will be subjected to a deduction from his annual salary and emoluments, and to such regulation with respect to superannuation as my lords may hereafter lay down.

Let a communication therefore be made to the several offices hereinafter mentioned, directing them, in every case of appointment to office, to make such a communication to the person appointed, and to make a deduction from all salaries and emoluments not exceeding £100 [\$486.65] a year at the rate of $2\frac{1}{2}$ per centum per annum, and from all other salaries and emoluments at the rate of £5 [\$24.33] per centum per annum, for the purpose of providing, in such manner as my Lords may hereafter direct, for superannuation on retirement of such persons as shall hereafter enter the civil service.^(a)

In issuing this minute the Lords of the Treasury acted under the general financial powers entrusted to them by Parliament. This Treasury minute was in effect nothing more than a prospective regulation of the salaries of all civil servants who might enter the service after the date of the minute. The Treasury had always been accustomed to exercise the full and entire right of raising and reducing the salaries of the lower grades of the permanent civil service, submitting the salaries so revised to Parliament, at its next meeting, in the estimates. A minute dated June 15, 1832, directed that the fund realized by these deductions from salaries was to be invested in exchequer bills to be held subject to the disposal of Parliament, and it was so held till Parliament decided on the question by the Act of 1834. After Parliament had sanctioned the deductions by that act, the amount of the deductions was directed by a minute of November 14, 1834, to be stated on the face of the estimates submitted to Parliament for the ensuing year, and to be deducted from the sum voted to defray the charge of superannuation and retired allowances.

Previous to 1832 the superannuation estimate had been confined to the pensions of officers of certain departments which possessed no

^a Report on Civil Service Superannuation. 1856. Appendix No. 1, p. 346.

fee funds, whereas the pensions of officers of departments possessing fee funds (namely, the Treasury, the offices of the three Secretaries of State, the Council Office, and the Board of Trade) were not submitted to Parliament, though, of course, such pensions contributed to the deficiencies in the fee funds which Parliament had to vote. Further, some of the departments without fee funds included the pensions to their officers in the same estimate as their salaries.

But in 1832 all that was changed; in the estimates of that year all the fee fund pensions, and most of the other pensions hitherto included in the votes for salaries in the other departments were brought together in a superannuation estimate. The cost, however, of superannuation in the Revenue Departments, the Admiralty, the War Office, and the Royal Irish Constabulary was not included in the civil service vote, but was provided for in the votes for their departments, as will be seen in the various returns showing the annual charges for civil pensions.^(a)

SUPERANNUATION ACT OF 1834.

The last stage in this course of legislation was reached when the Superannuation Act (4 and 5 Will. 4, c. 24) was passed July 25, 1834. By this act the Treasury minute of August 4, 1829, requiring deductions from salary was confirmed, and by it the old scale of pensions prescribed in the Act of 1822 was maintained as regards the persons who had taken office previously to the date of the Treasury minute of August 4, 1829, but as regards the persons who entered subsequently to that date, a lower scale of pensions was prescribed, which seemed to be calculated as equivalent to the value of the deductions directed to be made by the minute, according to the principle of the report of 1829. Section XXVII of the act reciting the minute of 1829 and adopting the precise scale of deductions laid down in it reads as follows:

And whereas the commissioners of the Treasury did, by a minute dated the fourth day of August, one thousand eight hundred and twenty-nine, record their intention to adopt certain regulations with a view to reduce prospectively the charge incurred in providing for superannuation allowances, of which notice was given in the several public departments, for the information of those who should thereafter enter the public service: And whereas in pursuance of the said minute, an annual abatement hath been made from the salaries and emoluments of the several persons who have entered the public service subsequent to the date thereof: And whereas it is expedient to continue such abatement in those cases, and to extend it to others, as herein after provided; Be it therefore further enacted, That from and after the passing of this act there shall be an annual abatement made, in quarterly proportions, by the proper officer in each respec-

^a See pages 41-43.

tive department, from the salaries and emoluments of the several officers and persons employed in the several civil offices and departments specified in the schedule to this act, or to be specified in the addition authorized to be made thereto, and not within the exceptions thereof, who have since the date of the said minute entered or shall hereafter enter the public service, in such manner and under such directions as shall from time to time be given in this respect by the commissioners of the Treasury or of the Admiralty, as the case may be, the amount of which abatement shall be according to the respective rates following; (that is to say,)

SCALE OF DEDUCTIONS AND SUPERANNUATION ALLOWANCES.

From salaries and emoluments not exceeding the annual sum of one hundred pounds [\$486.65], an abatement after the rate of two pounds ten shillings per centum [$2\frac{1}{2}$ per cent];

And from salaries and emoluments exceeding one hundred pounds [\$486.65] five pounds per centum [5 per cent];

And in the cases of all persons whomsoever at present holding office and entitled to superannuation allowance under this act, who shall have been appointed to such office subsequently to the issue of the minute of the lords commissioners of His Majesty's Treasury, bearing date the fourth day of August one thousand eight hundred and twenty-nine, for the future regulation of the several civil departments of the public service, and who shall hereafter, upon promotion, obtain any increase of salary or allowances in respect of their offices, an annual abatement, after the like rates respectively, shall be made from the amount of such increase from time to time, commencing from the period when the same shall take place.

The superannuation allowance to persons who had entered the service before August 5, 1829, was, according to section IX of the act, as follows:

To an officer, clerk, or person who shall have served ten years and upwards, and under fifteen years, any annual allowance not exceeding in amount four-twelfths of the annual salary and emoluments of his office:

For fifteen years and upwards, and under twenty years, not exceeding five-twelfths of such salary and emoluments:

For twenty years and upwards, and under twenty-five years, not exceeding six-twelfths of such salary and emoluments:

For twenty-five years and upwards, and under thirty years, not exceeding seven-twelfths of such salary and emoluments:

For thirty years and upwards, and under thirty-five years, not exceeding eight-twelfths of such salary and emoluments:

For thirty-five years and upwards, and under forty years, not exceeding nine-twelfths of such salary and emoluments:

For forty years and upwards, and under forty-five years, not exceeding ten-twelfths of such salary and emoluments:

For forty-five years and upwards, and under fifty years, not exceeding eleven-twelfths of such salary and emoluments:

And for fifty years or upwards, any annual allowance not exceeding the net amount of the salary and emoluments of his office.

In contrast to these provisions was the superannuation allowance granted by section X to persons who had entered or who might enter the service subsequent to August 4, 1829:

To an officer, clerk, or person who shall have served ten years and upwards, and under seventeen years, an annual allowance not exceeding in amount three-twelfths of the salary and emoluments of his office:

For seventeen years service and upwards, and under twenty-four years, not exceeding four-twelfths of such salary and emoluments:

For twenty-four years service and upwards, and under thirty-one years, not exceeding five-twelfths of such salary and emoluments:

For thirty-one years and upwards, and under thirty-eight years, not exceeding six-twelfths of such salary and emoluments:

For thirty-eight years and upwards, and under forty-five years not exceeding seven-twelfths of such salary and emoluments:

And for forty-five years and upwards, not exceeding eight-twelfths of such salary and emoluments:

And in no case, except as hereinafter is especially provided, shall any superannuation or allowance exceeding two-thirds of the salary and emoluments of any such officer, clerk, or person be granted.

COMPARISON OF SCHEMES OF 1822 AND 1834.

The Superannuation Act of 1834 was the law of the land for twenty-three years. It will be noted that it was in every way distinctly less favorable to the civil service than the Act of 1822 which, owing to the protests of the civil employees themselves, had been thrown out after only two years' trial.

In the first place, the scale of deductions established by the minute of 1829 and the law of 1834 was higher than that fixed by the law of 1822. The scale of 1822 exempted entirely salaries under £100 (\$486.65) a year, while the scale of 1829 imposed $2\frac{1}{2}$ per cent on salaries under £100 (\$486.65) a year. The old scale of 1822 imposed $2\frac{1}{2}$ per cent on salaries between £100 (\$486.65) and £200 (\$973.30) a year, whereas the scale of 1829 imposed 5 per cent on those salaries. In only one respect was the scale of 1822 less favorable than that of 1829 and that was in respect to the limited number of persons who happened in the year 1822 to have their salaries above what had recently been settled to be the regulated salaries of the offices, and who were charged 10 per cent on the excess.

In the second place, the Act of 1822 contained specific directions with respect to the creation of a superannuation fund; namely that a fund should be created, and the account kept in the Bank of England, and the monies lodged in the hands of certain commissioners. The Act of 1834, on the other hand, contained no express direction for the creation of a fund. There was only a general presumption derived from the tenor of the act and the preliminary proceedings that the deductions were intended to defray the pensions of the contributors.

The only indication which the act contained as to the intention of Parliament in making those deductions was found in the words, "with a view to reduce prospectively the charge incurred in providing for superannuation allowances." Undoubtedly, it was not intended to keep the same strict account of the deductions as was done under the law of 1822, but though no fund was created, those who stood sponsors for the bill of 1834 spoke as if there had been, seeming thus to indicate that the intention of the act was to limit the use of the deductions to the payment of superannuation allowances. In introducing the bill in the House of Commons, Sir James Graham said: "It was recommended by the Finance Committee in 1828, and this clause follows out the recommendation, that a deduction should be made in the salaries of all men in public offices, in order to provide a fund on the principle of insurance. They will pay the premiums themselves, and will receive the whole amount of the benefit." And Lord Grey, who had charge of the bill in the House of Lords said: "In August, 1829, a minute was made by the Lords of the Treasury of that day, by which it was provided, that in order to avoid the heavy charge which had been produced by this practice of superannuation, there should be in future a superannuation fund established arising out of a deduction of a certain percentage from the salaries of all civil officers who received their appointments subsequently to that time." In actual practice, however, according to the testimony of Sir Charles E. Trevelyan, no separate account was kept of deductions or of the mode of appropriating them. In the sense in which a professional accountant would use the word "fund," there was no fund. At first, the deductions were carried by the different departments to the credit of the votes for pensions for their respective departments, and after that, on a more improved arrangement of accounts, they were collected by the Paymaster-General, and carried to the credit of the aggregate annual vote for superannuations and compensations. Since all members of the service were pensionable but only part of the service—that which had entered subsequently to 1829—contributed to the pensions and since those contributions were not funded, it was not known at any time during the more than quarter of a century that the Act of 1834 was in force whether the contributions were adequate or not. The general impression prevailed that they were more than adequate, probably because pensions were bestowed on noncontributors—those who entered the service before 1829—as well as on contributors.

In the third place, the Act of 1822 distinctly provided for the refund of contributions in case of the resignation or death of the contributor before receiving a retiring allowance whereas the Act of 1834 made no such provision. The result was that a civil servant might

contribute for many years to the pensions of others, and if he happened to die before reaching an age or condition which permitted him to retire, neither he nor his family could receive any return from those contributions.

While it was apparent from the beginning that the selfishness of those who had entered the service before 1829 had resulted in the passage of a law more advantageous for themselves but much less so for the service generally than the one first proposed, it was not apparent, for some time, how bad the law of 1834 really was. The class of public servants most vitally interested in the matter—those appointed since 1829—was hardly in existence. They were comparatively few in numbers and officially less than 5 years old at the time of the passage of the act. They were not alert to their special interests as were the older civil servants, and there was no one in Parliament who seemed to perceive their peculiar position or who at least undertook to defend them. It was only as time went on and those who had been youths in the service became elderly men that the body of employees generally began to realize the essential injustice of the law and the unfair discriminations sanctioned by it.

SELECT COMMITTEE OF 1856.

GRIEVANCES PRESENTED BY COMMITTEE OF CIVIL SERVANTS.

In 1846 a committee of civil servants drawn from those appointed subsequently to the date of the Treasury minute of 1829 was formed for the purpose of bringing their grievances to the attention of the Government. It continued in existence until 1856, working out various data and classifications with reference to the civil service, but on the appointment by Parliament of a select committee "to consider the existing regulations respecting the grant of superannuation allowances to persons who have held civil offices in Her Majesty's service," the committee of civil servants felt that it was expedient for them to dissolve.

The chairman of the civil servants' committee appeared before the Select Committee and testified to the dissatisfaction of the service. The committee of civil servants consisted of thirty deputies, representing all the principal departments of the Government. Their complaint was twofold: That the scale of pensions was not sufficient, and that the abatements from the salaries were oppressive. They were divided in their request for increase of pensions, one faction requesting that the maximum scale of rates for ordinary pensions be increased from two-thirds to the full amount of salary, and the other faction contenting itself with the request for relaxation in the severity of the law relating to the amount of benefits. The two factions were

agreed in considering the abatement from salaries a growing evil. Said Mr. Bromley, the representative of one of the factions:

The general body of civil servants who have signed that petition, of 9,000 persons, agree with me, and agree with the committee with which I have been acting, that all those abatements ought to be abolished entirely for the purpose for which they are now levied. * * * There is this further distinction between us, that they [the other faction] wish to place the five per cent abatement in their own pockets; and those with whom I act, desire to have that abatement continued, if I may so speak, for the purpose of our widows and children; in fact, upon the principle of an insurance fund, so that every single man as well as every married man shall benefit by the abatement.^(a)

Each of these factions presented a petition to the Select Committee setting forth their grievances, with some variations of detail, but agreeing in the main line of argument. The petition of the first faction requesting that the maximum pension be equal to the full amount of salary, and that deductions from salary be abolished—in other words, that the petitioners be put on exactly the same footing as those civil employees appointed prior to the date of the Treasury minute of 1829—was as follows:^(b)

Petition of civil servants of the Crown, whose appointments date subsequently to 1829.

To the honorable the Commons of the United Kingdom of Great Britain and Ireland, in Parliament assembled.

The humble petition of the undersigned civil servants of the Crown, whose appointments date subsequently to 1829, sheweth,

That the civil service numbers about 16,000 persons.

That for the last 40 years a system of strict economy, by reducing public salaries and abolishing indirect emoluments, has so greatly lessened the incomes of the civil servants, that the average salary of the entire body is only £141 [\$686.18], while that of two-thirds does not exceed £86 [\$418.52] per annum.

That such incomes are very inferior to those of members of the open professions, and, considering the social position and educational requirements of government servants, are barely sufficient for the present maintenance and future provision of their families in that degree of respectability which is expected of them as servants of the Crown.

That previous to 1829 this reduced rate of salary was paid without any deduction, and the civil servant was assured of a reasonable pension when worn out in the public service.

That in the year 1834, however, Government, in answer to a demand for still greater retrenchment, passed the Superannuation Act, 4 & 5 Will. 4, c. 24 (having a retrospective effect to 1829), which greatly reduced pensions, and levied a tax of 5 per cent on salaries over £100 [\$486.65], and 2½ per cent on salaries under that

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, p. 80.

^b Report on Civil Service Superannuation. 1856. Appendix No. 16, pp. 461, 462.

amount, with a view to reduce prospectively the charge for superannuation.

That by this act your petitioners, though compelled to contribute towards superannuation, can not claim it as a right, nor retire from the service until 65 years of age, unless incapacitated by infirmity of body or mind; while the utmost that they can receive is two-thirds of their salary should they survive 45 years' service.

That it has been calculated that this scale of pensions is only half the value of that which will be awarded to your petitioners' fellow officers who entered prior to 1829, and who, though belonging to the same social rank, and performing the same official duties, at present receive their salaries in full. Moreover, although all your petitioners during their entire official career are thus taxed for superannuation, yet, as it is estimated, according to the average duration of life, that not more than one in ten can be superannuated, it follows that the contributions of the remaining nine-tenths are absolutely lost to them and their families.

That oppressive and disheartening as this act has already proved, its effects will be greatly aggravated as the period approaches when its enactments, as they apply to your petitioners, come into general operation, because that unwillingness to retire which is often manifested at present by old officers who are entitled to the better scale of pensions will be much increased, when to do so even after 31 years' service will involve, as in the case of your petitioners, a sacrifice of one-half of their income.

That in the absence of strict regulations enforcing retirement, old and infirm men entitled to repose must be suffered to remain in office, to the detriment of the public service, as well as to the injury of the younger members of each department. Thus when the officers who entered before 1829 have all retired, and been succeeded by others subject to the tax, Government will be receiving the highest amount of deductions from your petitioners' salaries, while the latter are receiving the least possible benefit from superannuation.

That the tax is felt to be the more unjust, because, while it is levied on the humblest salaried servant of the Crown, an exception is made in favor of the following, viz: ministers of State, diplomatic officers, judges, and other officials of the superior, county, and sheriffs' courts throughout the United Kingdom, and the chief officers of many of the civil departments of the State.

That, though the amount gained by the nation from this tax is at present only £60,000 [\$291,990] per annum, yet, as it bears exclusively on your petitioners, who are subject to all the ordinary taxes of the country, it has the effect of nearly doubling direct taxation in their case, as compared with all other classes of Her Majesty's subjects.

That the principle of granting gratuitous pensions has been repeatedly affirmed by Parliament, and is applied by the British Government to all its servants, with the exception of your petitioners; also by the East India Company and the Bank of England; and your petitioners humbly submit that it is an obligation sanctioned by necessity and sound policy, as well as natural justice; because when an officer becomes infirm after spending nearly a lifetime in the public service, at a scale of remuneration purposely reduced to the lowest rate, and which forbids the possibility of accumulating an independence, it is no less necessary, for maintaining the efficiency

of that service, that he should be withdrawn when incapacitated, than it is due to him that that withdrawal should be upon terms which he may willingly accept, as involving no serious privation during the few remaining years of his life.

May it therefore please your honorable House—

1st. To amend the 10th, 11th, and 12th sections of the Act 4 & 5 Will. 4, c. 24, and to grant to your petitioners a scale of pensions equal in value to that at present given to those officers who entered prior to 1829, but graduated upon shorter intervals and smaller fractional allowances, and with permission to retire after 30 years' service, if 60 years of age.

2nd. To repeal the 27th section, levying the percentage tax, and thus leave your petitioners subject only to the ordinary taxation of the country.

(9,791 signatures).

The petition of the second faction requesting that more leniency in the matter of benefits be exercised, and especially that the abatements from salary be applied to the formation of a civil-service insurance fund was as follows: (^a)

The humble petition of the general committee of civil servants of the Crown employed in the several public departments of the State, whose appointments bear date subsequently to the 4th day of August 1829, sheweth,

That your petitioners have been deputed by the officers and clerks in their respective departments to form a general committee, which committee has been in existence since the year 1846, for the purpose of endeavoring to obtain relief from the abatements made from their salaries for superannuation purposes.

That your petitioners have since that period uniformly labored to effect that object, supported as they have been in their view by the general sympathy accorded to them.

That a petition on behalf of the civil servants of the Crown was presented by your petitioners to your honorable House on the 3rd December 1852, and a letter to the late Chancellor of the Exchequer, dated 7th December 1853, was laid before your honorable House during the last session of Parliament, forwarding the signatures of more than 3,000 civil servants expressing their concurrence in the prayer of that petition.

That your petitioners now respectfully beg, with reference to the aforesaid petition, to entreat the consideration of your honorable House to the following statement of the position in which the civil servants of the Crown are placed as respects superannuations under the provisions of the 10th, 11th, 12th and 27th sections of the Act 4 & 5 Will. 4, c. 24; viz:

That the pensions granted to them have been reduced in value by one-half.

That this reduction will effect a saving to the country of about £300,000 [\$1,459,950] a year, or nearly 60 per centum of the entire amount of the annual charge for civil superannuations.

That a permanent saving has also been effected, since that act was passed, in the annual charge for civil salaries amounting to upwards of £270,000 [\$1,313,955] a year.

^a Report on Civil Service Superannuation. 1856. Appendix No. 16, pp. 460, 461.

That all other classes of public servants receive gratuitous pensions; but that class represented by your petitioners is subjected to a tax of $2\frac{1}{2}$ or 5 per centum on their salaries, for the purpose of reducing the charge to be incurred for their pensions.

That the amounts so abated from their salaries have hitherto been applied in payment of the pensions of other classes of civil servants who are not subjected to the tax, and who are pensioned on a superior scale.

That the abatements have not been formed into a separate fund for the individual benefit of the contributors as was intended at the time of passing the act.

That the amount of abatements from salaries in excess of the pensions paid has already reached upwards of £750,000 [\$3,649,875]; and, had those abatements been funded, they would by this date have accumulated to a surplus of £1,000,000 sterling [\$4,866,650], producing, at the rate of only 3 per centum, the annual interest of £30,000 [\$145,995].

That these abatements were imposed for the sole purpose of reducing the charge of civil superannuation allowances, which object has been, as shown above, already attained. They have, moreover, been ascertained to be so excessive and disproportionate, that, if continued, the mere interest on the surplus amount accumulated will, within 60 years from the present time, suffice to defray the entire charge of civil pensions in perpetuity.

That civil servants can now no longer be considered as receiving pensions from the State, but are compelled to purchase on excessive terms deferred annuities, not only for themselves, but also for all their successors.

That in cases of death in active service the families of the deceased derive no benefit whatever from the abatements made for superannuation, but, on the contrary, the tax is even imposed after death upon the residue of salary paid to the legal representatives.

That these abatements made from salaries which average only £141 [\$686.18] a year deprive the civil servants, as a body, of the means of effecting insurances on their lives. There are consequently numerous instances of men whose energies are depressed and spirit weighed down by the hopelessness of ever securing an adequate provision for those whose subsistence depends upon their precarious lives, and who are thus precluded from giving their best thoughts and exertions to their official duties.

Your petitioners therefore humbly pray—

That the limited number of civil servants who are incapacitated for active service may be granted, as formerly, during their few remaining years, pensions at the expense of the State, in common with all other servants of the public.

That your honorable House will be pleased to relax the severity of the 10th, 11th, and 12th sections of the above-mentioned act (4 & 5 Will., 4, c. 24), in such manner and to such extent as in the wisdom of your honorable House may be considered most conducive not only to the well-being of the civil servants, but also to the efficiency of the public service.

That the abatements made from the salaries of the civil servants of the State, in pursuance of the 27th section of the said act, which have been proved to be excessive in amount and to be no longer required for the purposes specified therein, may be applied to the

formation of a civil service insurance fund, and be considered as premiums paid for the insurance of their lives for the benefit of their families and representatives; upon which simple principle of insurance there would not be any annuitants either as widows or orphans chargeable upon the fund or the public, since the amount insured would in each case be paid over at death to the representatives of the deceased, whether he were married or single.

THREE GENERAL GROUNDS OF COMPLAINT AGAINST ACT OF 1834.

From these petitions and from the testimony given by various officials and clerks of the service in the course of the hearings it is apparent that the complaints against the superannuation scheme established by the Treasury minute of 1829 and confirmed by the Act of 1834 may be roughly classed under three general heads: (1) Dislike of the invidious distinctions made in the act between different classes of the public service; (2) discontent with the provisions of the act, particularly the scale of pensions and the absence of a refund in case of death or withdrawal from the service before reaching the age of superannuation; and, (3) distrust of the actuarial soundness of the plan.

(1) Dislike of distinctions between different classes of civil servants.

The body of civil servants generally felt aggrieved that all other classes of public servants received gratuitous pensions while on them, the humblest-salaried servants of the Crown, a tax which they could ill afford was levied to meet the expenses of their superannuation. They saw, on the one hand, that ministers of State, diplomatic officers, judges, and other officials of the superior, county, and sheriffs' courts throughout the United Kingdom, and the chief officers of many of the civil departments of the State were retired on liberal pensions often after only a few years' service; and they saw, on the other hand, that their fellow-officers who had entered the service prior to 1829, individuals of the same social rank, performing the same official duties, received their full salaries without deduction and were retired on a scale of pensions about twice the value of those awarded themselves.

The testimony of Sir Charles E. Trevelyan brought out the fact that particularly large pensions were paid to certain great officers of State appointed to their positions by reason of political favor and to members of the judicial establishments. Sir Charles E. Trevelyan, who was Assistant Secretary to the Treasury and deeply interested in the subject of civil-service reform, gave the committee much valuable information. Returns prepared by him for the Chancellor of the Exchequer showed that the total annual salaries of the civil establishments of the United Kingdom were £5,599,409 (\$27,249,523.90), and the total annual compensations and pensions, £1,122,844 (\$5,464,320.33).^(a) The pensions, therefore, were to salaries in the proportion of nearly

^a Report on Civil Service Superannuation. 1856. Appendix No. 2, p. 357.

one to five, or 20 per cent, but this statement is hardly fair to the permanent civil service, for it covered two great divisions, one of the judicial establishments of the three kingdoms and the other of all other civil establishments. The total amount of pensions and compensations of all the judicial establishments of England, Ireland, and Scotland was nearly 34 per cent (^a) of the total amount of salaries, whereas the total amount of compensations and superannuation allowances of what was commonly called the "civil service," including the departments which paid contributions, was only 18 per cent of the total amount of salaries. It should be noted also that this 18 per cent included the pensions paid to great officers of State, especially provided under the first clauses of the Act of 1834 with pensions much more generous than any allowed the members of the general body of civil servants. These pensions included £1,000 (\$4,866.50) each after ten years' service to Under Secretaries of State, to Clerk of the Ordnance, Second Secretary of Admiralty, and Secretaries of the India Board; those of £1,200 (\$5,839.80) after five years' service to Joint Secretaries of the Treasury, First Secretary of Admiralty, and Vice-President of the Board of Trade; those of £1,400 (\$6,813.10) after five years' service to the Chief Secretary of Ireland and the Secretary at War; and those of £2,000 (\$9,733) after only two years' service to the First Lord of the Treasury, Secretaries of State, Chancellor of the Exchequer, First Lord of the Admiralty, President of the India Board, and President of the Board of Trade.

(a) PENSIONS PAID CHIEF OFFICERS OF STATE AND JUDICIARY COMPARED WITH THOSE PAID OTHER CIVIL EMPLOYEES.

All the objections which applied to the ordinary pension list applied in an aggravated degree to the pensions of the great legal establishments, the arrangements connected with which were, in 1856, in the same crude and elementary state in which those relating to the other civil establishments were at the beginning of the century. For instance, there was no check upon first appointments and there was no limitation as to the age of entrance into the service, a matter which has a very important bearing upon the pension list. Officers of the legal establishments paid no deductions, or if they paid them, it was only in the case of new appointments made subsequently to the date of the special acts by which the establishments were regulated. When an ordinary civil establishment was placed by the Treasury on the schedule of the superannuation act, the persons belonging to it were made to pay up the arrears of deductions from the date of their appointment, supposing they were appointed subsequently to the 4th of August, 1829; whereas under the special acts of Parliament, by which a few of the judicial establishments were placed under the

^a This should apparently be 31 per cent. See note to statement on p. 42.

superannuation act, the deductions always commenced not from the date of the commencement of the service of the officer, but from the date of the act.

The return prepared by Sir Charles E. Trevelyan and submitted to the Select Committee on March 4, 1856, showing the total annual salaries, compensations, and pensions of the civil establishments of the United Kingdom was as follows: (^a)

TOTAL ANNUAL SALARIES, COMPENSATIONS, AND PENSIONS OF THE CIVIL ESTABLISHMENTS OF THE UNITED KINGDOM.

Total annual salaries of the civil establishments of the United Kingdom.....	£5, 599, 409	[\$27, 249, 524]
Total annual compensations and pensions.....	1, 122, 844	[5, 464, 320]
Being in the proportion of nearly 1 to 5, or 20 per cent.		

JUDICIAL ESTABLISHMENTS.

Court.	Salaries.	Compensations and pensions.
England:		
Court of chancery.....	\$834, 614	\$451, 991
Court of Queen's bench.....	217, 406	76, 039
Court of common pleas.....	177, 944	61, 858
Court of exchequer.....	188, 781	65, 206
Court of requests.....		49, 867
County courts.....	499, 999	15, 573
Court of admiralty and others.....	34, 187	6, 682
Marshalsea and Palace court.....		18, 157
Abolished courts of record.....		2, 929
Bankruptcy court.....	290, 817	119, 059
Insolvent court.....	40, 952	1, 727
Total, England.....	2, 284, 700	869, 088
Ireland:		
Court of chancery.....	333, 316	142, 447
Court of Queen's bench.....	132, 719	23, 593
Court of common pleas.....	104, 742	15, 631
Court of exchequer.....	112, 134	28, 255
Lord treasurer's remembrancer and others.....		5, 786
Registrar of judgments.....	5, 596	
Clerks of writs.....	9, 490	2, 920
Taxing officers in common law business.....	8, 760	
Prerogative court.....	14, 599	
Court of appeals.....	3, 582	
Bankrupt court.....	19, 709	
Insolvent court.....	20, 887	5, 986
Admiralty court.....	2, 433	
Assistant barristers.....	157, 811	4, 633
Total, Ireland.....	925, 778	229, 251
Scotland:		
Court of session.....	284, 564	72, 331
Sheriffs of counties.....	100, 128	
Sheriffs' substitutes.....	164, 415	
Total, Scotland.....	549, 107	72, 331

SUMMARY OF JUDICIAL ESTABLISHMENTS.

England.....	\$2, 284, 700	\$869, 088
Ireland.....	925, 778	^b 229, 222
Scotland.....	549, 107	72, 331
Total.....	3, 759, 585	1, 170, 641

^a Report on Civil Service Superannuation. 1856. Appendix No. 2, p. 357.
^b This amount does not agree with the total for Ireland shown above, but is the equivalent of the amount (£47,102) shown in the original report. No explanation is given for the discrepancy.

The total amount of compensations and pensions of all the judicial establishments of the United Kingdom is therefore nearly 34 per cent^(a) on the total amount of salaries.

If the four superior courts of England and Ireland are taken separately, the percentage is above 41 per cent, viz:

ENGLAND.

	Salaries.	Compensations.	
Court of chancery.....	\$834,614	\$451,991	54 per cent of the salaries.
Court of Queen's bench.....	217,406	76,039	35 per cent of the salaries.
Court of common pleas.....	177,944	61,858	35 per cent of the salaries.
Court of exchequer.....	188,781	65,206	34 per cent of the salaries.
	1,418,745	655,094	46 per cent of the salaries.

IRELAND.

Court of chancery.....	\$333,316	\$142,447	42 per cent of the salaries.
Court of Queen's bench.....	132,719	23,593	18 per cent of the salaries.
Court of common pleas.....	104,742	15,631	15 per cent of the salaries.
Court of exchequer.....	112,134	28,255	25 per cent of the salaries.
	682,911	209,926	30 per cent of the salaries.

OTHER CIVIL ESTABLISHMENTS.

Names of offices.	Salaries.	Compensation and superannuation.		
		Compensation.	Superannuation.	Total.
House of Lords.....	\$75,431			
House of Commons.....	236,093	\$2,920	\$28,985	\$31,905
Great officers of State:				
Class I.....	128,962	}	72,024	72,024
Class II.....	19,466			
Class III.....	38,932			
Class IV.....	60,831			
Diplomatic establishments.....	681,310		125,157	125,157
Treasury.....	153,777	21,631	37,706	59,337
Privy council office.....	57,361		2,068	2,068
Board of trade and registrar of merchant seamen.....	190,066	146	2,506	2,652
Secretary of State, Home Department.....	68,048	1,898	18,507	20,405
Secretary of State, Foreign Department.....	114,723		20,488	20,488
Secretary of State, Colonial Department.....	73,781	8,298	1,630	9,928
Secretary of State, for War.....	41,059			
Commander in chief's office.....	30,172	1,946	3,913	5,859
Adjutant-general's office.....	20,026	2,925	5,708	8,633
Quartermaster-general's office.....	18,356			
War office.....	187,871	60,627	29,773	90,400
Judge-advocate-general's office.....	8,735	78	1,294	1,372
Chelsea hospital.....	14,570	14,950	4,638	19,588
Royal military college.....	28,878	4,764	5,149	9,913
Royal military asylum.....	9,339	808	978	1,786
Army medical department.....	11,534	3,528	1,752	5,280
Ordnance offices.....	1,044,541	45,809	188,713	234,522
Artificers' wages for 1853-54.....	763,165		33,048	33,048
Commissariat office.....	23,354	15,923	17,374	33,297
Admiralty offices.....	1,222,728	105,949	267,964	373,913
Artificers' wages for 1853-54.....	3,618,515		312,157	312,157
Audit office.....	210,763	18,862	44,091	62,953
Royal mint.....	53,098	28,328	10,760	39,088
Paymaster-general's office.....	103,588	80,915	4,833	85,748
Exchequer office.....	35,998		3,893	3,893
Customs officers and coast guard.....	5,155,239	270,149	890,701	1,160,850
Inland revenue.....	3,798,157	213,688	856,738	1,070,426
Post-office.....	3,910,739	18,945	140,306	159,251
Stationery office.....	48,568		4,725	4,725
State paper office.....	7,275		438	438
Record office.....	36,601	535	2,959	3,494

^a The percentage here given is according to the original report. According to the figures shown in preceding table it should apparently be 31 per cent.

OTHER CIVIL ESTABLISHMENTS—Continued.

Names of offices.	Salaries.	Compensation and superannuation.		
		Compensation.	Superannuation.	Total.
Registrar-general's office.....	\$62,588	.....	\$253	\$253
Lunacy commission.....	47,692	.....	.....	.....
Metropolitan police offices.....	166,936	.....	16,059	16,059
Queen's prison.....	14,726	.....	5,475	5,475
National debt office.....	62,204	\$1,202	10,502	11,704
Public works loan commission.....	11,996	.....	3,650	3,650
Office of woods, etc.....	69,236	1,626	5,129	6,755
Office of works.....	81,246	.....	701	701
Colonial land emigration.....	35,637	.....	68	68
Consuls restricted from trade.....	223,372	46,412	45,842	92,254
India board.....	77,231	.....	22,274	22,274
Queen's remembrancer.....	27,238	.....	827	827
SCOTLAND.				
Board of fisheries.....	24,060	.....	10,473	10,473
General register office.....	4,818	.....	.....	.....
Queen's and lord treasurer's remembrancer.....	12,779	.....	2,273	2,273
IRELAND.				
Chief secretary's office.....	63,182	23,067	6,054	29,121
Board of works.....	92,809	4,789	6,701	11,490
Paymaster of civil services.....	31,944	.....	5,319	5,319
General register office.....	7,932	.....	253	253
Kilmainham hospital, etc.....	11,675	146	837	983
Hibernian military school.....	12,517	331	628	959
Dublin metropolitan police offices.....	46,470	.....	8,161	8,161
Total.....	23,489,939	1,001,195	3,292,455	4,293,650

NOTE.—The proportion which the total amount of the compensation allowances of this class bears to the total amount of salaries is about } 1-23½d part, or 4¼ per cent.

NOTE.—The proportion which the total amount of the compensation allowances of this class bears to the superannuation allowances is about } 1-7th part, or 14 per cent.

NOTE.—The proportion which the total amount of the compensation allowances of this class bears to the compensation and superannuation allowances is about } 1-5½th part, or 18 per cent.

Sir Charles Trevelyan considered the principle of abatements thoroughly objectionable, but he took the stand that if it were to be continued it should be extended to all alike, both to the high political officers of the State and to the judges, and from the judges down to the lowest paid messenger. He defended his position with great ability, showing how the pensions enjoyed by the diplomatic and political servants were not only paid for by the State, but that the rates of pension were much higher in proportion than those of ordinary civil employees, that they were granted after a much shorter period of service, and were altogether more easily and frequently obtained. As his opinion seems to have reflected to a great degree the sentiment of the civil service itself, some of his remarks should be quoted. He said:

Equality belongs to the very essence of justice, but there are some independent, powerful classes, especially the large class of diplomats and lawyers, not merely the judges, but the much larger class of

administrative officers of the courts in England, Ireland and Scotland, and the county court judges, and treasurers and clerks, and the assistant barristers in Ireland, and the sheriffs depute in Scotland, all together forming a very large class indeed, who are almost entirely exempted from the deductions. The Treasury, in its various dealings with the subject of superannuation, has from time to time endeavored to bring the several sections of this great class under contribution, but we have almost always been foiled; and even when we have succeeded in some degree, they have always prescribed conditions to us much more favorable to themselves than those to which the clerks are subjected; then, as the powerful few, so are the powerful many. There are 24,000 dockyard men, workmen employed in the arsenals, and post-office sorters and letter carriers and so forth, all of whom have at this moment a contingent right to a pension, without paying any deduction whatever; and the inequality there is more remarkable, because the exemption from deduction is extended to £200 [\$973.30] in the dockyards. I presume it was not considered advisable to touch any of the large class of workmen, so that although the clerks and messengers pay on whatever salaries they may receive, however small they may be, a large class of persons in the dockyards are exempted up to £200 [\$973.30].^(a)

Although questioned very closely by members of the Select Committee, Sir Charles Trevelyan would not admit that difference in the terms of service of different classes of public officers, permanence in office, or payment by fees, gave just ground for any difference of treatment with regard to deductions. He said:

My argument is, that all should be dealt with alike. If it is proper that one class of public servants should contribute to their own pensions, it is proper that all should contribute toward their pensions. If it is proper that large sections of the civil service should be exempted from deductions, and should have their pensions provided for them by the State, it is equally proper that all other sections should be so exempted. * * * I would have either a system of universal superannuation fund, or a system of universal free pension, granted by the State; and of the two I very much prefer the latter.^(b)

(b) PENSIONS PAID EMPLOYEES WHOSE APPOINTMENTS ANTEDATED 1829 COMPARED WITH THOSE PAID OTHER CIVIL EMPLOYEES.

If the opposition of the members of the civil service forced to make contributions from their salaries to a hypothetical fund on which the chances were seven to one they would never draw was stimulated by the exemption of the great officers of State and the lowest workman of the Government from such requirement, it was fanned to a flame by the exemption of certain fellow-officers thus favored simply because their appointments antedated August 4, 1829. The civil servants appointed subsequently to 1829 saw that they suffered in comparison a double disadvantage; they had a lower scale of pen-

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, p. 23.

^b Idem, p. 29.

sions, and their salaries were subject to considerable deduction. The law was very liberally interpreted for the benefit of the early comer. Even if he had held a very inferior situation previous to 1829, if he had been an extra clerk, for instance, or had held only a temporary situation, he was considered to have entered the service previous to 1829, and was therefore exempted from deductions. However small his salary before 1829 and however large his salary in 1856, at the time of the investigation, he was exempted from deductions upon the whole of his salary. About one-third of the service was at that time exempt from paying deductions. As the other two-thirds were working in the same offices, at the same tasks, often more efficiently, it can easily be understood that there seemed to be some ground for complaint.

(2) *Dislike of pension scale and forfeiture provisions.*

In the second place, the civil servants were discontented with the provisions of the law. Not only did they think the scale of pensions too low (apart from the matter of deductions), but they felt it unjust that they should be required to pay a tax during the whole of their official lives and receive nothing in return except in case of retirement under the rigid rules of the service. The complete forfeiture of their contributions in case of voluntary withdrawal from the service before reaching a condition of superannuation or infirmity, in case of dismissal from office, or in case of death while in office, was resented as a confiscation of property. This lack of provision for refund of contributions, and not so much the fact that deductions were made from salaries, was the deep-seated reason for the antagonism of the civil servants to the system of abatements. There was a general feeling that the Government should pension outright the whole body of permanent employees, as was not unnatural in a country where political pensions were awarded frequently and on a most liberal scale, but it is equally apparent that had the law of 1834 established a contributory plan which was equitable as between different classes of employees and which made provision for refund of contributions in each and every case the chief complaints to which the Select Committee of 1856 listened would never have been made.

The opinion of a distinguished civil employee, Sir John Herschel, no longer in the public service, in regard to the injustice of confiscating contributions, was quoted by Mr. Bromley:

Whatever is paid to any person employed in remuneration of service should be absolutely his property, at least so far as not to be revocable at the pleasure of the employer, or defeatable by the accident of death.

The payment, no doubt, may be made partly in money, and partly in the form of a right; but the right should be a vested one, and not liable to annulment. The only mode consistent with justice of dealing with such portion of a man's salary as may be withheld from

him is to regard it as held in trust and managed for his absolute benefit, to be either handed over to him, with accumulations, at the termination of his service, or paid over to his executors, etc., in case of death, or invested for him (if possible on more advantageous terms than he could individually obtain) in such way as he shall himself approve, to meet his case as a bachelor, husband, or father. Whatever is kept back as constituting a lien upon him for the continuance of his services, or as affording a hold upon him for good conduct, ought rather to be called caution money than salary. So far as its accumulation is an advantage, it is yet one contingent conditional and liable to forfeiture. It is not his, and may never become his. If he die in the service, it is lost; he has been mulcted of it without fault on his part; and if it be forfeited by misconduct he has in effect been fined by anticipation.

To men from whose motives fortune and fame are excluded; who labor in obscurity, and see their equals passing them in the career of life; the sole redeeming feature of whose position is its certainty, it does seem most incongruous to introduce an element of this nature.

An objector to the present system might say, "If you assert that a man has a salary of £100 [\$486.65] per annum, you are bound to give it him in some form or other of hard cash, and not of expectations, which may be disappointed. If with his consent, by means of a forced bargain, or in his ignorance of its nature at the moment of his engagement, you keep back a part of it, you are bound to pay it, not to some other party in whom he has no interest, but to himself or his nominees, and that whether his conduct has been good or bad (punishing bad conduct by dismissal, and criminal by the penal law). You incur this obligation, not with him, but with mankind, that words should correspond to things and mean realities. You assume pro tanto the position of a savings bank, and are bound to account to the uttermost farthing, not to the mass of your contributors, but to each individual. An act of Parliament may legalize, but can not justify, a contrary view of the matter.^(a)

It will be remembered that in the petition to the committee signed by 9,791 members of the civil service, out of an aggregate number of about 16,000 persons, the following statement was made:

Although all your petitioners during their entire official career are thus taxed for superannuation, yet, as it is estimated, according to the average duration of life, that not more than one in ten can be superannuated, it follows that the contributions of the remaining nine-tenths are absolutely lost to them and their families.^(b)

(a) FORFEITURE PROVISION OBJECTIONABLE AS A FORM OF TONTINE.

The calculation of Dr. William Farr, head of the Statistical Office of the Department of the Registrar-General, was that about one in eight of the whole number of persons in the civil service whose salaries are liable to deductions became superannuated, while Felix John Hamel, esq., solicitor to the Board of Customs, told the Select

^a Report on Civil Service Superannuation. 1856. Appendix No. 9, p. 416.

^b *Idem*, Appendix No. 16, p. 462.

Committee that, according to his calculations, not more than one in seven of the contributors in the Customs reached the age of superannuation. The others died or left the service before reaching the age at which they could claim a superannuation allowance, so that the statement of the civil servants in their petition that "according to the average duration of life" not more than one in ten can be superannuated was apparently an exaggeration of the fact, being based on incomplete reasoning, since the average rate of resignations and dismissals is a factor in such calculations as much as "the average duration of life." The truth, however, was bad enough and showed that the civil employees were justified in their lack of enthusiasm for a system which compelled them to contribute to an object by which not more than one-seventh or one-eighth of their number could possibly profit. Mr. Hamel's calculation showed the voluntary resignations before the age of 61 at 14 per cent of the whole number of clerks, the dismissals at 20 per cent, and the deaths at 50 per cent, making a total of 84 per cent of the civil servants who never reached superannuation.

"Under this arrangement for granting allowances out of deductions," declared Doctor Farr to the Select Committee, "you necessarily have to take the deductions from men who never derive any benefit whatever from the fund. This is, I conceive, an insuperable objection to the system. The families of the men who die are harshly dealt with; you take from the widow and fatherless children the deductions of the men who die, to enable you to pension those who live. Now, it is impossible to convince the widows or the orphan children of the officers who die in the service that it is just to deprive them of the advantage derived from the contribution of the parent, to enable you to pay the superannuation allowances of those officers who are so fortunate as to live."^(a) And a week later he told the Select Committee the same thing with a different choice of words: "Supposing that 1,000 men commence paying those deductions, and you receive those deductions, and invest them at interest, and let them go on accumulating for forty years, at the end of that time you will have to divide the money among the survivors only of the 1,000. This system of the Government is a tontine, and the objections against tontines hold against this scheme of deferred annuities."^(b)

Doctor Farr was one of the most eminent actuaries of his day and his testimony to the committee in the course of this investigation was particularly helpful in making clear the unsoundness of the superannuation scheme established under the Act of 1834. The civil employees did not need to be actuaries, however, to perceive the nature of the system of which they were victims.

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, p. 176.

^b Idem, p. 243.

Asked what was the objection of the civil service to the system of abatements, Mr. Bromley, chairman of the committee of civil servants, said:

The main objection which we entertain is this: that the scale of public salaries is fixed as a just payment for the work to be done, and that the abatement made from those salaries to secure a deferred annuity is an object for which we consider the State itself ought to provide; that is the broad issue. We consider that the State itself ought to provide for its worn-out servants. The present law of 1834 directs that the servants shall provide for themselves; but the abatement is not now levied upon a mutual principle; it is upon the principle of a lottery, or rather upon the principle of a tontine, that a great many gentlemen shall put in a certain sum, and the longest liver shall derive the benefit. Upon these grounds we object to the abatements.^(a)

(b) FORFEITURE PROVISION ESPECIALLY UNJUST IN CASES OF CLERKS DYING IN HARNESS.

The hearings abound in citations of cases of civil servants who contributed for years to the supposed "Superannuation Fund" and dying left their families in destitute circumstances. Letters from individual clerks bring out this grievance strongly.

The widow of John Rendall, who held the position of consul in the Cape de Verde Islands from 1839 to 1854, begged the committee to grant her indemnification for the pecuniary loss she had sustained by the death of her husband, on the ground that during the sixteen years of his service he had contributed to the "Superannuation Fund" with the impression that he was at the same time securing to his wife and family benefits to be derived in the future, and that the deduction from his salary precluded him devoting any other proportion of his income to the insurance of his life.

D. H. Harris, a landing waiter in the Customs service, wrote, on March 24, 1856, to F. J. Hamel, solicitor to the Board of Customs, a letter setting forth the woes of his class:

My nominal salary is £200 [\$973.30] per annum; I only receive £167 6s (\$814.16). The remainder is swallowed up in income tax, superannuation tax, and premium for insurance of £300 in the customs benevolent fund. These deductions amount to about 17 per cent, or one-sixth of my actual receipts.

As the relative condition of the officers in the civil service has formed part of the inquiry before the committee of the House of Commons, permit me to draw your attention to the fact that, with this same salary of £200 [\$973.30] per annum, either in the service of the Bank of England, the East India Company, or the London Dock Company, I should be at least 12 per cent better off than as a

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, p. 80.

civil servant of the Crown, because the former pay the salaries of their servants in full, and give retiring allowances without deductions; the latter deduct not only income tax, but abatements for superannuation also. The hours of work and attendance are similar. I find that, as a body, the condition of the officers of the Customs is a depressed one; they are for the most part ill paid, and, in the event of early or sudden death, their families are often left in a most wretched state of destitution. * * *

After enumerating a number of cases that had come under his observation, he continued:

Under the superannuation law a man may pay twenty, thirty, or forty years, and never receive a shilling. The longer he serves the less chance he has of receiving any benefit, because the older he gets the less the probability of his surviving to receive it; and if he dies with part of his salary due, his widow is actually mulcted five per cent of the balance due, though it is then utterly impossible that any benefit can accrue from it. Another feature presents itself: when the poor day-pay officer is sick his day pay is stopped; but from his small salary, when the quarter comes round, is deducted the superannuation tax of $2\frac{1}{2}$ per cent upon the sums which he did not receive. If he should die, his widow would be forced to contribute to the superannuation tax upon the unreceived half-crowns, the lack of which, perhaps, induced exhaustion to her husband, and want of bread to her children. When the officer entering the service first hears of this deduction, he consoles himself with the idea that it is for some certain though perhaps far-off benefit which will accrue to him; he next finds that it is a tax to reduce the charge upon the country for his probable superannuation; next, that it is not only more than enough to reduce that charge, but sufficient to confer a large benefit on noncontributors, and that he who must pay may possibly never get a shilling. (^a)

W. B. Hambly, a clerk in the Royal Engineer Department, wrote the committee on the civil service superannuation bill partly as follows:

Whilst this momentous question is under consideration by your honorable committee, and before its fate is sealed by act of Parliament, something is due to the widow and orphan of the civil servant; for it seems hard indeed that his last dying thoughts were to be embittered by the terrible idea that his wife and children, whom, whilst the Almighty had been pleased to grant him life and health, he had toiled to provide for, cherish and comfort, should at his death be thrown penniless on the world, and the fund to which he had all his life subscribed be shut against them. It seems but just, that whatever allowance this fund entitled him to, should, at his death, be handed down as a support (if bona fide required) to his wife and children; for I may here remark, that it is not in the power of any Government

^a Report on Civil Service Superannuation. 1856. Appendix No. 15, p. 453.

clerk (except those in the high offices) to provide out of their pay anything for the future support of either wife or children. The pay is altogether too inadequate for such a purpose, and the Government deductions are so heavy, that it is with difficulty they can live on the pay received. Therefore, out of the civil servants' superannuation fund, it is the more incumbent on Government to provide for their wives and children; and that in the event of the husband dying in office, that they should receive the full allowance the length of service would have entitled the deceased to; or when death occurred, after being superannuated, that the same allowance should be continued to the wife as the husband had been enjoying, and, as he had paid for it, his family might fairly be entitled to it.^(a)

The fact that the committee of civil servants was seeking chiefly not an abolition of the compulsory deductions but a limitation of the deductions to $2\frac{1}{2}$ per cent for the creation of an insurance fund is sufficient proof that among a large number of the civil employees there was no serious objection to the deductions, as such, provided they were used for the benefit of the families of those whose salaries were thus taxed. This point is brought out even more clearly by William Willis, esq., the secretary of the committee of civil servants. Asked by the chairman of the parliamentary committee to state the objections entertained by the members of the association which he represented to the present system of superannuation, he said:

The objections are numerous. The first is, that the abatements operate with very great severity upon a class whose incomes are small; coupled with the income tax, they amount to a deduction of 11 per cent. The origin of the movement arose in our finding such great distress to exist amongst the families of the clerks. I was myself aware of it to some extent, and have had applications before me of a most painful nature from the widows of officers petitioning for the collection of even a few shillings; in one case the body of an officer could not be buried for want of means, nor until subscriptions had been collected in the office to which he had belonged. Finding that this distress was very general, and as our inquiries also led us to believe that insurance was effected in but a very small minority of cases amongst the civil servants, we were induced to inquire whether means could not be adopted of providing some insurance fund.

"If I understand your statement correctly, the first object that your society had in view was the establishment of an insurance fund for the widows and children of deceased public servants?" asked the chairman. "It was."

"How did you propose to accomplish that object?"

"We proposed to establish an insurance fund by means of contributions from the service; but we found that that was wholly out of the question, because these abatements precluded the civil servants from subscribing to any such association. It was these abatements which debarred them from the power of making insurances."^(b)

^a Report on Civil Service Superannuation. 1856. Appendix No. 15, p.455.

^b Idem. Minutes of evidence, pp. 144, 145.

On this point Doctor Farr was also equally clear. "One objection to the deduction in its present form," he told the Select Committee, "is that it prevents so large a number of the public servants from insuring their lives; but if you remit the deduction for the purpose of superannuation they would be enabled to appropriate at least a part of their salaries for the insurance of their lives."^(a)

(c) FORFEITABLE DEDUCTIONS WITH INADEQUATE SALARIES A BAR TO LIFE INSURANCE.

Doctor Farr had been consulted a number of years before this by the committee of civil servants formed for investigating the subject of superannuations. They had claimed that cases of distress occurred very frequently in the service in consequence of the fact that many of the civil employees were unable to insure their lives, owing to the insufficiency of their salaries and the deductions made from those salaries. Doctor Farr had requested them to procure information from the public departments. They did so, and he embodied the information in a paper read before the Statistical Society of London on December 18, 1848. This showed that 16,353 officers, either paying contributions or in offices liable to pay contributions to the superannuation fund, had, on an average, salaries of £141 (\$686.18) a year; that is the nominal salary, which would be further reduced by the deduction to £135 (\$656.98) a year. Two-thirds of those salaries did not exceed £100 (\$486.65) a year; they were on an average £86 (\$418.52) a year. Information of another kind showed that of the 16,353 officers, about 11,023 had wives living, as well as 21,952 children under 15 years of age, making in the aggregate 49,328 persons more or less dependent on the salaries. Each married civil employee in the station of life in which he is would keep one or more servants; that would imply that there was about £34 (\$165.46) a head on the total number of persons dependent on the civil servants contributing to the fund. Doctor Farr stated to the Select Committee that that appeared to him to substantiate the statement of the civil servants that their salaries scarcely permitted them to insure their lives.^(b)

In connection with the oft-repeated statement that the salary of the average civil service clerk was not sufficient to bear deductions the statement of the annual expenditure of a married clerk, compiled by J. T. Hammack, of the Statistical Department of the Registrar-General's Office, "from information that can be relied upon," is inter-

^a Report on Civil Service Superannuation, 1856. Minutes of evidence, p. 188.

^b Idem, pp. 159, 160.

esting. This statement showed “the annual expense, regulated with the strictest regard to economy, of a family consisting of five persons, viz, a civil service clerk, his wife, two children, and a servant.” The total annual expenditure was shown to be £183 7s. 5d. (\$892.37). The salary of a civil service clerk appointed after August, 1829, amounting to £200 (\$973.30), was subject to a superannuation abatement of 1 shilling in the pound (5 per cent) or £10 (\$48.67), and to an income tax of 1s. 4d. in the pound ($6\frac{2}{3}$ per cent) or £12 13s. 4d. (\$61.64) (^a), or a total deduction of £22 13s. 4d. (\$110.31). This left him a net amount of salary of £177 6s. 8d. (\$862.99), so that a nominal salary of £200 (\$973.30) per annum, unsupported by private resources, would be insufficient to enable the clerk to meet the above expenditure to the extent of £6 9d. (\$29.38). This estimate omitted all allowance for the education of children, sittings in a place of worship, life assurance, excursions into the country during vacation, and indeed all other recreation attended with expense, made no provision for lengthened illness or death in the family of the clerk; and in the event of the death of the clerk himself there was no provision whatever for his wife and children or other dependent relatives. It was argued that the sum deducted for superannuation, £10 (\$48.67) would, if remitted, enable the clerk to effect a small insurance upon his life. Fuller details of the statement of expenses are as follows: (^b)

ANNUAL EXPENDITURE OF A MARRIED CLERK.

[Statement showing the annual expense, regulated with the strictest regard to economy, of a family consisting of five persons, viz, a civil-service clerk, his wife, two children, and a servant.]

ITEMS OF EXPENDITURE.

House rent and taxes:

Rent of a six-roomed house (in the suburbs of London).....	\$121. 66
House tax (9d. in the pound ($3\frac{3}{4}$ per cent) on the rent paid)....	4. 56
Poor rate (say, 3s. in the pound (15 per cent) on a rating of £22 (\$107.06).....	16. 06
Lighting, paving, and highway rates (say).....	6. 09
Water rate.....	5. 11
	\$153. 48

Provisions and other household necessities (per week, for five persons):

Bread, 32 lbs., at $2\frac{1}{4}$ d. (4.6 cents) per lb., 6s. (\$1.46); flour, 1 quartern, 10d. (20 cents).....	1. 66
Meat, 14 lbs., at 8d. (16 cents) per lb.....	2. 27
Tea, $\frac{1}{2}$ lb., 2s. (49 cents); coffee, $\frac{3}{4}$ lb., 1s. (24 cents).....	. 73
Sugar, 3 lbs., at 5d. (10 cents).....	. 30
Butter, 2 lbs., 2s. 4d. (57 cents); eggs, bacon, cheese, 1s. 4d. (32 cents).....	. 89

^a The amount here given is according to the original report. Calculated on the basis shown it should apparently be £13 6s. 8d. (\$64.89).

^b Report on Civil Service Superannuation. 1856. Appendix No. 14, p. 451.

Provisions and other household necessities (per week, for five persons)—Continued.

Vegetables and fruit, 3d. (6 cents) per day.....	\$0. 43	
Beer, 3 pints per day, 21 per week, at 2d. (4 cents).....	. 85	
Milk, 1 pint per day, at 2d. (4 cents).....	. 29	
Candles.....	. 37	
Firewood, and materials for cleaning house.....	. 24	
Soap, mustard, vinegar, pepper, rice, &c.....	. 16	
Washing (done at home), 6d. (12 cents) per head.....	. 61	
Per week.....	8. 80	
Per annum.....	457. 61	
Coals (in the year), 5 tons, at 25s. (\$6.08).....	30. 42	
		\$488. 03
Servant's wages.....		38. 93
Clothing:		
The clerk.....	73. 00	
His wife.....	43. 80	
His children.....	38. 93	
		155. 73
Medical attendance on family (average).....		14. 60
Renewal and repair of furniture, house linen, &c.....		19. 46
Fire insurance on furniture £200 (\$973.30), premium 5s. (\$1.22), duty 6s. (\$1.46).....		2. 68
Pocket money for omnibuses, and other incidental personal expenses.....		19. 46
Education of children.....		
Sittings in place of worship.....		
Excursion into country during vacation.....		
Wine and spirits.....		
Insurance on life, to make some small provision for his family in the event of his decease.....		
Total annual expenditure.....		892. 37
The salary of a civil-service clerk appointed since August, 1829, amounting to £200 (\$973.30) is subject to the following deductions:		
Superannuation abatement, 1s. in the pound (5 per cent) £10. \$48. 67		
Income tax, 1s. 4d. in the pound (6½ per cent) £12 13s. 4d.. ^a 61. 64		
		\$110. 31
Leaving the net amount to be received by him.....	862. 99	
So that a nominal salary of £200 (\$973.30) per annum, unsupported by private resources, would be insufficient to enable the clerk to meet the above expenditure to the extent of.....	29. 38	
		892. 37

The combined effect of superannuation abatements and income tax on the salary of the civil servant was shown by the following statement: ^(b)

^a The amount here given is according to the original report. Calculated on the basis shown, it should apparently be £13 6s. 8d. (\$64.89).

^b Report on Civil Service Superannuation, 1856. Appendix No. 14, p. 452.

COMBINED EFFECT OF SUPERANNUATION ABATEMENTS AND INCOME TAX.

[Statement showing the difference between the nominal salary of a civil servant appointed since August, 1829, and the net amount payable to him after deducting the superannuation abatement and income tax, on salaries from £80 (\$389) to £500 (\$2,433).]

Nominal yearly salary.	Deductions for—			Net amount.	Remarks.
	Super-annua-tion.	Income tax.	Total.		
\$389.32	\$9.73	.....	\$9.73	\$379.59	Superannuation, 6d. (\$0.12) per pound (\$4.87).
437.99	10.95	.....	10.95	427.04	
486.65	12.17	.....	12.17	474.48	
510.98	25.55	.....	25.55	485.43	Superannuation, 1s. (\$0.24) per pound (\$4.87).
^a 535.32	26.77	\$24.35	51.12	^a 484.20	
583.98	29.20	26.58	55.78	528.20	Superannuation, 1s. (\$0.24) per pound (\$4.87).
632.65	31.63	28.77	60.40	572.25	
681.31	34.07	31.00	65.07	616.24	Income tax, 11½d. (\$0.23) per pound (\$4.87).
729.98	36.50	33.21	69.71	660.27	
778.64	38.93	49.31	88.24	690.40	
827.31	41.37	52.40	93.77	733.54	
875.97	43.80	55.48	99.28	776.69	
924.64	46.23	58.56	104.79	819.85	
973.30	48.67	61.64	110.31	862.99	Superannuation, 1s. (\$0.24) per pound (\$4.87).
1,216.63	60.83	77.05	137.88	1,078.75	
1,459.95	73.00	92.46	165.46	1,294.49	Income tax, 1s. 4d. (\$0.32) per pound (\$4.87).
1,703.28	85.16	107.87	193.03	1,510.25	
1,946.60	97.33	123.28	220.61	1,725.99	
2,189.93	109.50	138.70	248.20	1,941.73	
2,433.25	121.66	154.11	275.77	2,157.48	
^b 2,433.25	(^b)	162.22	162.22	^b 2,271.03	

^a It will be observed that upon the promotion of a clerk from £105 (\$510.98) to £110 (\$535.32) he is a positive loser by the step.

^b Salary of an officer appointed prior to August, 1829, and therefore exempt from superannuation tax.

(d) FREE PENSIONS DESIRED WITH COMPULSORY DEDUCTIONS FOR PURPOSE OF LIFE INSURANCE.

Taking all these facts into consideration, and realizing besides the actuarial unsoundness of certain features of the existing superannuation scheme, as will be explained later on, Doctor Farr threw the weight of his influence with the arguments of those civil servants who asked that pensions be granted free by the State and that a compulsory insurance fund be formed out of 2½ per cent deductions from all salaries above £100 (\$486.65) a year. This would have been a decided improvement over the existing scheme, as it meant practically an increase of 2½ per cent in salary, an insurance benefit in case of death, and a pension in case of superannuation. The advisability of so arranging matters as to make it possible to compel the civil employee to insure his life was thus set forth by Doctor Farr:

The utility of life insurance is universally admitted. Insurance could be effected on very advantageous terms by the servants themselves: it would save many hundreds of families from deep distress; and it would raise the character of the service. Upon this subject there are now differences of opinion, but those who differ from the committee are equally animated by a desire to leave a provision for their wives and their children: they think that it should be done entirely on the voluntary principle; I, on the contrary, think that it should be to a certain extent on a settled principle, for reasons which I will very briefly state to the committee. Children, women and

men advanced in years can rarely earn enough to supply themselves with subsistence. Men who enter a profession have therefore, during their years of active life, not only to supply the current wants of their families, but to make a provision for the infirmities of sickness or age, and, in consequence of the mortality of their nature, for their widows and children. In Great Britain, to every 100 wives, there were at the census 23 widows living: there are now living about 2,300 widows of deceased civil servants, and an unknown number of fatherless children, which the returns leave undetermined. The children of possessors of property are naturally provided for under our laws, and the children of the man whose income is derived from his industry generally enjoys the same privilege; but the source of income depending on his life, they are liable at any time to be thrown on the community for support, which is, in a high degree, precarious. In the middle and in the higher classes they are practically thrown upon the hands of their relatives, of the charitable, and, in some rare instances, of the parish. Life insurance meets the risk of mortality; but it unfortunately happens in all professions, and in the civil service among others, that life insurance to an adequate extent is not effected by the great majority of husbands, and more particularly by those whose lives are most liable to be cut short, and whose large families are likely to prove the severest pressure of want—the heaviest burden on the community. Society has therefore a right, and, whenever an opportunity offers, perhaps a duty, to see that such a deduction is made from the adequate income in active life as will lighten the sufferings of the fatherless children and widows of its members. If the Government set the example in the public service, it may be copied by other classes, and would ultimately prove a great boon and an economy to the nation.^(a)

The amendment to the superannuation bill relating to insurance proposed by Mr. Bromley and his adherents and indorsed by Doctor Farr was as follows:

And whereas great distress from time to time occurs amongst the families of deceased civil servants, and various efforts have been made to establish departmental benevolent funds for their relief, but all such funds have failed without contributions being made in aid thereof by the State, or indirect assistance afforded in the collection of the same; it is expedient that such contributions or assistance, if given at all, should be for the general benefit of the whole service, and not for particular departments; it is therefore directed that from and after the first day of April one thousand eight hundred and fifty-six, when the abatements made under the twenty-seventh section of the aforesaid act shall cease, there shall be an abatement made in quarterly or monthly proportions, by the proper officer in each department, from the annual *salaries* of the several officers and persons employed in the civil offices and departments to which this act applies, who have since the fourth day of August one thousand eight hundred and twenty-nine entered or shall hereafter enter the public service, the amount of which abatement shall be at the annual rate of two pounds and ten shillings per centum [$2\frac{1}{2}$ per cent]. The amount so abated and brought to account in the books of each respective department shall

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, p. 184.

be paid over quarterly to the National Debt Commissioners, for the purpose of forming a "Civil Service Insurance Fund," in which name an account shall be opened in the books of the Bank of England, and such fund shall be directed and controlled for the benefit of each individual contributor, upon the common principles of life assurance, by such persons and in such manner as the lords commissioners of Her Majesty's Treasury may from time to time direct; and in making such settlement full credit shall be given to each individual who may have already contributed in aid of the aforesaid sum of eight hundred thousand pounds [\$3,893,200], in fixing the amount of insurance to which his contributions may entitle him; all which proceedings and regulations shall from time to time be laid before Parliament, and the accounts of the said fund shall be submitted periodically to the commissioners for auditing the public accounts, and after each annual audit by them, a copy of the said account, with the report of the auditors thereon, shall be by them laid before Parliament.^(a)

Mr. Bromley's reasons for advocating this measure, as explained to the committee, make an interesting contribution to a discussion which has continued down to the present year. Said he:

The very great distress in the lower ranks of the service induced me to take up this question, and I was at the time encouraged to do so by the debate in Parliament in March 1844, relative to the distressed state of the family of Doctor Morrison, who died in China, after he had rendered valuable public service.

All attempts to form voluntary funds for the purpose had failed; an order in council was obtained in 1819 to establish a fund in the Admiralty, but it did not succeed. Indeed, the distress in the revenue departments was admitted by the Government to be so general, that in the Customs a benevolent fund was established by act of Parliament in 1816; it was however found necessary to require a compulsory contribution for its support, added to which, the profits of the bill of entry (somewhat analogous to the profits of the London Gazette) were given up by the Government in aid thereof.

In the Post-Office the Government have allowed the property found in dead letters to be applied in aid of a charitable fund.

In the Inland Revenue, the Government assist the Atlas Assurance Office in collecting premiums, &c., from officers who insure in that office under certain advantages.

In the Ordnance Department certain pensions are paid to the widows of clerks by the Government.

If the principle is correct in these cases, it does not appear to be just to exclude other civil servants from such advantages; and as the compulsory principle has been adopted by Parliament with respect to a large body of its civil servants, although the great majority of them derive no benefit therefrom, it does appear to be sound policy to extend that system to all, to be coupled, however, with this most just provision, that the proposed contributions shall be applied for the benefit of each individual, according to the value of his contribution.

^a Report on Civil Service Superannuation. 1856. Appendix No. 9, p. 417.

It has been ascertained that 83 per cent of civil servants are uninsured in the local funds already established, notwithstanding the aid afforded them by the Government.

It is doubtless higher ground to advocate the voluntary rather than the compulsory principle of life insurance, and were its truthfulness equally enforced by experience, it might require no arguments to recommend its adoption; but unfortunately in this, as in most other instances, there is a wide discrepancy in human conduct between what ought to be and that which actually takes place; and it is to be feared there is no alternative in this case but to fall back upon some inflexible law external to itself; and this I conceive will best be met by a compulsory conversion of a moiety of the present superannuation assessments into an insurance fund, for the benefit of representatives of deceased civil servants.

This is no new theory which it is desired to urge upon the State or the public; as, in the case of the navy and army services, provision is made, as a rule, for the wives and families of naval and military servants, independently of the additional pension granted for loss of life in action, there is likewise a compulsory abatement imposed upon the whole medical force of the Navy for the support of their widows only; the East India Company likewise enforces a contribution from its servants for the support of their families; the Emperor of the French has also established a compulsory provision for the families of the employees of the State. The Bank of England requires its servants to insure their lives, and several private establishments have adopted a similar course.

Such a concurrence of testimony, and from such various sources, must be considered, upon all fair terms of reasoning, as incontrovertibly establishing the principle under consideration.

It is, therefore, from the conviction that the position of the civil servants will be materially improved by the adoption of the compulsory principle of life insurance, and also from the consideration that the State is preeminently interested in relieving its servants as much as possible from the cares and desponding influences which can not fail to have a most depreciating effect upon their official energies, that I am induced to lay such stress upon the formation of this fund by an appropriation of one-half of the present superannuation percentage to that purpose, remitting the remaining half to the civil servants to meet immediate exigencies.^(a)

(3) *Distrust of actuarial soundness of plan embodied in Act of 1834.*

In the third place there was distrust of the actuarial soundness of the plan. This was not so general, however, as might be supposed. The statement is frequently made that the contributory plan failed in England because it was found in 1857 that the superannuation fund was hopelessly insolvent; that it was therefore turned into the general exchequer and pensions were thereafter paid by the Government. This is not strictly correct, because, as has been shown in the previous pages, no fund was established under the Act of 1834,

^a Report on Civil Service Superannuation. 1856. Appendix No. 9, p. 417.

and the contributions had been turned into the general exchequer from the very beginning. Furthermore, even if there had been a fund and it had been found in a very satisfactory condition, the section of the act which provided for contributions from the civil servants would probably have been repealed in 1857 just as it was, for the discontent of the civil servants, which moved Parliament to act, rested, as has been shown, on quite different grounds. They brought no charge of insolvency against the fund, but rather one against the Government of confiscation of property rights and inequitable treatment as between different classes of the service. Instead of believing the fund insolvent—supposing their contributions had been funded—the civil employees were inclined to believe that their contributions had been much more than adequate for the payment of their pensions, as shown, for instance, in the last sentence of Mr. Harris's letter quoted above: "It (the deduction) is not only more than enough to reduce that charge, but sufficient to confer a large benefit on noncontributors." The final action of the Civil Service Superannuation Commission which was appointed to succeed the Select Committee in 1857 was taken quite without reference to this actuarial question of the adequacy of the contributions; in fact, it was not known until nearly a year after the abolition of deductions had been recommended by the commission that the contributions of the civil servants were inadequate for the payment of the pensions provided under the Act of 1834.

Before the Select Committee went out of existence it engaged Messrs. Arthur Morgan, F. R. S., actuary to the Equitable Society of London, and Charles Ansell, F. R. S., actuary of the Atlas Assurance Office, to prepare answers to certain questions. Messrs. Ansell and Morgan furnished the committee with such information as was within their power; but with reference to the most important question submitted to them, namely, whether the deductions taken under the Act of 1834 were more than adequate to meet the charge under the act for this class of civil servants, they declared their inability to give a satisfactory answer "until they should be provided with certain voluminous statistical returns with reference to the civil servants employed in the different public offices, and until they should have had time to complete the laborious calculations which would be required for extracting the desired information from these returns." The committee was obliged, therefore, to conclude its labors without the desired information, and the Superannuation Commission, which succeeded it, was prepared with its report in May, 1857, long before the actuaries were ready to answer the question asked of them. So laborious did they find their task that not until March 19, 1858, were the actuaries able to submit their report. In the meantime, the commission, not comprehending the technical

difficulties of the subject, and therefore not inclining to distrust their own conclusions, had made various recommendations, and toward the latter end of the session of Parliament, 1857, an act was passed for effecting the abolition of abatements from salaries, the most important of their suggestions. "Having found," wrote the commissioners, "on a full consideration of the subject referred to us, that our recommendations could not be affected by the result of these inquiries of the actuaries, we did not consider ourselves justified in withholding our report until we were acquainted with the conclusions at which they might arrive."

When the report of Messrs. Ansell and Morgan was finally completed the following year, the commissioners transmitted it to the Lords Commissioners of the Treasury with the following comment:

It will be seen that, with regard to the main subject of their inquiries, Messrs. Ansell and Morgan are decidedly of opinion that the deductions made from the salaries of the civil servants, under the authority of the Act of 1834, were not adequate to meet the charge to which the public was liable under that act. This conclusion may be considered a sufficient answer to the claim which was made on behalf of the civil servants, on the ground that the deductions were more than sufficient to provide the retired allowances, and that the public were making a profit of the transaction at the expense of the civil servants. But as we expressly repudiated in our report the notion of any contract between the public and the body of the civil servants, and as we founded our recommendation of the abolition of deductions upon totally different grounds, our conclusions cannot be affected by any opinion at which the actuaries may have arrived on this question. ^(a)

While it can not be said, therefore, that there was any general appreciation of the fact that the superannuation scheme established by the Act of 1834 was actuarially unsound, study of the hearings shows that most of the witnesses questioned the reasonableness as well as the justice of some feature of the plan, and those witnesses who had special knowledge of statistical or actuarial problems pointed out its inconsistencies or dangers.

The chief actuarial faults of the plan were two, and these two faults were criticised more or less blindly by various witnesses before the Select Committee who felt that something was wrong but found difficulty in defining it. They were (1) the provision for flat-rate assessments, and (2) the lack of provision for taking care of the accrued liabilities.

(a) FLAT-RATE ASSESSMENTS CONSIDERED INEQUITABLE AND POSSIBLY
• INADEQUATE.

The law provided for a flat-rate assessment of salaries regardless of the age at which contributors entered the service—an arrangement which is always unjust to the younger contributors. The rates of

^a Supplemental report on the Operation of the Superannuation Act. 1858. p. 3.

contribution of $2\frac{1}{2}$ per cent on all salaries of £100 (\$486.65) and under and 5 per cent on all salaries above £100 (\$486.65) were, of course, inadequate to provide retiring allowances ranging from fifteen-sixtieths of salary after ten years' service up to forty-sixtieths after forty-five years' service. While this was not the issue before the civil service or before Parliament, which had become disgusted with the plan on other grounds, it is fortunate for students of the subject that actuaries were engaged to inquire into the sufficiency of the deductions to meet the claims under the law, because the result of their valuation shows very clearly the practical difficulty of making any plan self-supporting which is based on flat-rate contributions required without reference to the age at which the contributors enter the service. While theoretically it may be a simple matter to fix a flat rate of contribution which will be adequate in a given problem, practically it never seems to be feasible owing to the difficulty of valuation, and the experience of Great Britain is simply corroborative of the general rule that a superannuation plan based on flat-rate assessments usually means too low a rate and therefore inadequate contributions, leading ultimately to the insolvency of the superannuation fund. Since there really was no fund to be insolvent in this case, and since there was nothing in the Treasury minute of 1829 or the Act of 1834 to indicate that it had been the intention of the Government to make the contributions sufficient to meet the charges, the inadequacy of the rate of contributions can hardly be justly criticised in this plan. The language of the act sanctioning the Treasury minute, "with a view to reduce prospectively the charge incurred in providing for superannuation allowances," was not such as to indicate that the Government did so with the expectation of making the plan entirely self-supporting. The discovery that the contributions were inadequate, unexpected as it was, merely showed the British public the undesirability, from a new viewpoint, of the plan which they had already set aside for other reasons.

But the injustice of the flat-rate assessment as between individuals was apparent to many before it was known that the rate was inadequate. "It is the grand and fatal objection to the scheme as it at present exists," said Doctor Farr to the committee, "that there is no proportion between what is taken and what is given." And again he said, "Under the present arrangement there is no equitable relation between the premium paid and the benefit granted; I prove to you that in a large class of cases you take too much, and, on the other hand, I say that in those cases where a clerk remains on a low salary for a great many years, and then goes up to a high salary, and is superannuated on the high salary, he evidently gets from you more than his premium would entitle him to under the principles of equitable insurance." In answer to a request of the committee that he

explain the effect of the deductions, looking at the question as a question of insurance, Doctor Farr differentiated very clearly between the two questions involved in the flat-rate deductions from salary and the benefits provided thereby—the question of equity on one hand and the question of the adequacy of the contributions on the other. Said he:

I have looked into that question carefully, and I will state very shortly my opinion upon that subject. I gather from the 27th section of the Superannuation Act that it was the intention of the Legislature to make the officers in the civil service pay only a portion of the premiums to provide for superannuation allowances, not the full premium. But the question of equity, which was, I believe, first raised by Mr. Gladstone, can only be discussed in this form: Does the act take from the salary of each officer quarterly the precise premium which, on the principles of life insurance, will provide the superannuation allowance? Is more or less deducted than the just premium? The question of equity must thus arise on each case, and on every separate class of cases, as in life insurance, where a man of the age of 30 can insure £100 [\$486.65] by an annual premium of £2 [\$9.73], and if this man is compelled to pay £4 [\$19.47] a year instead of £2 [\$9.73] the injustice is not repaired by another transaction in which a premium of £2 [\$9.73] only is taken from a man of 51 years of age, who ought strictly to pay £4 [\$19.47] a year premium to secure £100 [\$486.65] at death. It is important, then, to discuss the two questions separately. First, Is each civil servant dealt with as fairly and equitably under the Superannuation Act as a person who insures his life at a life office? The second question would be, Will the public exchequer gain or lose by the superannuation system of the Act of 1834? That is a totally different question from the question of equity; the first question I answer, without any hesitation, in the negative. The scheme is full of injustice, for there is no definite relation between the premium and the promised annuity.

Doctor Farr then proceeded to illustrate the inequity of the scheme by a calculation relative to fixed salaries, showing that in a numerous class of cases a great deal too much was deducted for the object contemplated. As regards ascending salaries, he showed that the deductions were often much too low and often too high. He said:

The act stops 6d. in the pound [$2\frac{1}{2}$ per cent] on salaries not exceeding £100 [\$486.65] a year, and 1s. [5 per cent] in the pound on salaries exceeding £100 [\$486.65] a year. What does it promise in return? It is not easy to reply; but it lays down a maximum allowance ranging in amount from three to eight-twelfths of the salary; that is, from 15-60ths to 40-60ths, which the Treasury has practically reduced in many cases to 12-60ths and 32-60ths of the salary. In the calculations which I am about to submit to the committee I leave out of account all the contributions of persons who quit the service, and I assume that the maximum allowance is paid, that the fifth is not deducted. The salaries in the public service are paid in a great variety of ways, which may be referred to two great classes; first, fixed salaries; second, ascending salaries on a great variety of scales, as

will be seen in the estimates of the year; sliding scales they may be called. I will take first the fixed salaries, on which the highest and many of the lowest officers are paid; they present the simplest cases; and I shall assume that the allowance is of the nature of a deferred annuity, the premium being uniform and constant. The annuity which the invariable premium will purchase varies, first, with the age of entry, and, secondly, with the age at the date of superannuation. Let the salary be £200 [\$973.30] a year; it is difficult to form a calculation of this sort; I have therefore made the case as simple as possible, but on this case all other cases of this kind can be decided; then the premium will be £10 [\$48.67] a year; the age of entry ranges from 17 to 45 years. I have returns showing the ages of entry, which are very various. The period of service ranges from 10 to 60 years, as is shown by the Table which I have submitted to the committee. If the age of entry is 25 years, and the period of service 40 years, the premium purchases £159 (\$773.77), while the act allows at the utmost £116 $\frac{2}{3}$ (\$567.76), which the Treasury rule may reduce to £93 $\frac{1}{3}$ (\$454.21). Assuming that the grant is represented by a deferred annuity, that is a strict calculation, which would be made on the same principle as a calculation for a life office. If the age of entry is 20, and the period of service 45 years, the premium pays for an annuity of £206 $\frac{2}{3}$ (\$1,005.71); the act allows at the utmost £133 $\frac{1}{3}$ (\$648.87), or, after the fifth has been deducted, £106 $\frac{2}{3}$ (\$519.09). Take a high office, salary £2,000 (\$9,733), age of entry 30, period of service 40 years; the premium purchases an annuity of £2,349 (\$11,431.40); the act allows £1,166 (\$5,674.34). If the period of service is 45 years, the officer pays for an annuity of £5,229 (\$25,446.93), and is allowed £1,333 (\$6,487.04). Again, the act grants the same proportion of salary for two entirely different rates of premium; this is a violation of the principles of equitable insurance; if 2 $\frac{1}{2}$ per cent is enough, five is too much; but take one of the lower offices, salary £100 (\$486.65); age of entry, 20; service, 50 years; the premium of 2 $\frac{1}{2}$ provides an annuity of £99 (\$481.78); the act allows £66 $\frac{2}{3}$ (\$324.43), reduced by the rule to £53 $\frac{1}{3}$ (\$259.54). The sickness and infirmity under the age of 65, if real, must in nearly all cases shorten life, shorten the term of the annuity, and therefore diminish its value. In this numerous class of cases too much is evidently deducted; in another series of cases the deduction is insufficient. The fund may even be worked against the public by officers being put in young and remaining for 10 or 15 years, and then leaving in a state of health little impaired. Thus by entering on salaries of £100 (\$486.65) a year, and remaining 10 years, they would pay £2 10s. (\$12.17) a year, or £25 (\$121.66), which would purchase an annuity of £1 13s. (\$8.03) during their future lives; the annuity granted is £25 (\$121.60) or £20 (\$97.33), and you might lose £18 (\$87.60) a head annually. The sliding-scale salary is uncertain in its operation, and varies almost in every office; its tendency is to raise the rate of allowance; in some cases the fund gains, in others it loses enormously.

In the absence of definite data as to the age, length of service, and salary increases of members of the service, such as were afterward collected and furnished to Messrs. Ansell and Morgan, Doctor Farr was unable to give a positive answer to the second question, Will the public exchequer gain or lose by the superannuation system of the

Act of 1834? While he said that he believed the Government would gain on the whole, under a strict interpretation of the act, thus concurring in the impression which prevailed among the civil servants generally, he stated distinctly that his opinion was not the result of any strict calculation, such a calculation being impossible under the circumstances. He said:

I think the committee clearly understands that the cases which I have put here, in a more distinct form, show that the deductions from a large number of the salaries will provide annuities of a greater amount than are actually paid under the act of Parliament. I conceive that in many cases the civil servants do not pay a sufficient sum to provide the annuity, and that is particularly the case in the various kinds of sliding scales, where the salaries begin very low, and remain low, and then go up to the high sum on which the superannuation is paid; but the number of those scales is so numerous, that it is exceedingly difficult to form any calculation as to the aggregate result; that is, whether the Government will gain or lose by the whole transaction ultimately. * * * It appears to me, on the whole, that the public servants pay too much. If you take the whole, as a class, the Government would gain rather than lose by the transaction, if the act of Parliament was carried out strictly; but I merely wish the committee to consider that as my general opinion; it is not the result of any strict calculation; such a calculation is, as far as I see at present, impossible.

Doctor Farr pointed out too that the 5 per cent deduction had not been fixed on as the result of any scientific calculation. Said he:

I have often asked on what data the rate of deduction of five per cent was fixed; whether any calculations had been made by the Government; and I have not been able to ascertain that any calculations have been made. The first traces of this rate appear in the Act of 1822; but the terms of that act were very different from the harder terms of the Act of 1834. * * * The committee will see that the Government of 1834 appears not to have had any calculation themselves in fixing this rate of five per cent.^(a)

While unwilling to commit himself, in the absence of a reliable salary scale, to any positive statement about the adequacy of the contributions in the aggregate to meet the charge of superannuation, Doctor Farr presented numerous tables to show that the value of the contributions was greater than the value of the pensions to all the faithful employees who had devoted many years to the service of the Government. "I think," said he, "that the faithful public servant who remains at his post, undoubtedly pays more than the value of his pension by his deductions, but those who remain a short time, or go out in a state of perfect health, make an excellent bargain. They derive a large profit from the Government." This was, however, an illustration of the inequity of the scheme and proved nothing as to the adequacy or inadequacy of the sum of contributions.

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, p. 173.

Doctor Farr's opinion that the existing superannuation scheme was unfair and inequitable was shared by other eminent actuaries of the day. Five of them signed a statement to that effect which they presented to the committee in which they also upheld Doctor Farr's contention that the value of the pensions was considerably less than the value of the contributions. This declaration was as follows: (^a)

We have examined the statements and calculations with reference to the pensions granted after various periods of service, to civil servants, and we are unanimously of opinion—

1st. That the deductions of $2\frac{1}{2}$ per cent. on some salaries, and 5 per cent. on others, are unjust, because the pensions of those who remain long in the service, and have paid the higher rate for a longer time, are virtually diminished, to make up the pensions of those who retire early, the larger proportion of whose payments may have been at the smaller rate.

2nd. That the age of entry, and the age of receiving the pension, not being duly considered, those who have paid the fewest number of contributions may in many cases receive much more than the proportionate annuity; and the effect must necessarily be that the remaining pensioners have not the full benefit which they could obtain from their deductions of salary if the fund was managed on the same principles as it would be in an assurance or annuity company.

* * * * * *

These tables show that the average value of the pensions actually granted is considerably less than that of the pensions that should be given for the contributions deducted from the salaries of officials in the civil service, even leaving out of view the profits arising from resignations, and discharges, and the Treasury deduction of 20 per cent.

J. HILL WILLIAMS,
English and Scottish Law Life Assurance Company.

EDWIN JAMES FARREN,
Actuary, Gresham Life Insurance Co.

ROBERT TUCKER,
Pelican Life Insurance Office.

CHARLES JELlicoe,
Eagle Insurance Co.

SAMUEL BROWN,
Actuary of the Guardian Assurance Company.

Doctor Farr's belief that the deductions from salary were more than sufficient to pay for the benefits under the act was also indorsed by every actuary called before the committee, including Thomas Rowe Edmonds, esq., actuary of the Legal and General Assurance Society of London, Charles Ansell, esq., actuary of the Atlas Insurance Office, and Peter Hardy, esq., actuary of the London Assurance Company. The fact that the careful investigation of Messrs. Morgan and Ansell later proved that the employees' contributions were inade-

^a Report on Civil Service Superannuation. 1856. Appendix No. 14, p. 448.

quate in the aggregate is a striking illustration of the difficulty attending any rough calculations in which there is a flat-rate contribution made without reference to entrance age and resulting in a commingling of assets.

(b) ACCRUED LIABILITIES POSSIBLE CAUSE OF INSOLVENCY IN CASE OF FUND.

It is possible, of course, that with the high rate of interest then prevailing, the deductions of $2\frac{1}{2}$ and 5 per cent might have been sufficient to meet the charges under the act, but for the second great actuarial fault in the plan, the fact that no provision had been made to take care of the accrued liabilities. There were naturally a great many elderly persons in the service in 1834 at the time of the passage of the act who became superannuated immediately and retired from the service on an allowance. There were a great many others retiring every year thereafter whose contributions had been small in comparison to the benefits which they began to receive immediately on retirement. Had the contribution been funded, the fund would have become insolvent in its efforts to carry the retirement of the older employees through taxation of the younger employees alone. It would have reached this stage soon after the investigation of 1856, and when the employees who were young in 1829 and who had been contributing to the fund all the intervening years became superannuated there would have been nothing left on which to retire them. Plain as the necessity for a sharp line of demarcation between past liabilities and future liabilities is to the student of retirement plans, it seems remarkable that it should have escaped the ministers of the British Government who brought forward the Superannuation Act of 1834, except that this mistake is one that has been common to many ministers in other countries who have wrestled with the problem of superannuation and to the managers of fraternal benefit associations the world over. That "hindsight is better than foresight" was well exemplified, however, in the following colloquy between the chairman of the Select Committee and Sir Charles E. Trevelyan:

Although the act of Parliament is very loosely worded, yet, seeing the statements made by the two persons charged with bringing forward this measure, does it not appear to you that the intention clearly was, that the persons contributing to the fund were to have an interest in that fund for their own benefit, and that it was not to be made a subject of debtor and creditor with the whole civil service, including those branches of the civil service which, previously to 1829, had established their exemption from contribution?

That is my view.

Supposing the minister of the day had fairly put the question before Parliament thus: "Here is a service which, previously to 1829,

has been chargeable upon the country for superannuation, but, in order to relieve the public from that for the future, we will make a compact with those who hereafter enter the service that they shall contribute to a superannuation fund;" would not then a clear separation have been made between those who contributed to the fund and those who were entitled to claim superannuation allowances without a contribution?

In those days the class of public servants interested in this matter hardly existed; they only commenced in the year 1829; they were only five years old in official life in the year 1834, when the act was passed; they were mere youths; their interests were not thought of; that parliamentary return was made out with very little regard to them; the question had not been raised; there had been no discussion about it. I conceive that if the annual parliamentary return had been made out according to the intention and spirit of the act, it would have been divided into two; the first portion would have been for the old servants who received the higher rate of pension, and whose pensions were entirely charged upon the consolidated fund, and who had no deduction from their salary. The other portion would have shown a debtor and creditor account of the receipts in the shape of deductions from and of the payments in the shape of pensions to the new class.^(a)

That the actuarial objections to the plan established under the Act of 1834 were not more generally understood was undoubtedly due to the fact that they were somewhat obscured by the failure of the act to direct the formation of a superannuation fund. Had there been a fund in the strict sense of the term and had the accounts been carefully kept, the atmosphere would have been clearer, and the inadequacy of the rates to meet future liabilities and the insufficiency of the fund to cover past liabilities as well would undoubtedly have been perceived much earlier than was the case. A great deal of the committee's time was consumed in questioning witnesses and discussing with them the probable meaning and intention of the Legislature when it passed the Act of 1834 without mention of a fund and the difference such a provision would have made in the claims which the civil servant might or might not have had on the country. It was estimated that in the twenty-seven years that had elapsed since the passage of the Treasury minute of 1829 the civil servants had lodged about £800,000 (\$3,893,200) with the Government. A reading of the evidence shows that there was a deep sense of injury among the civil servants but no very clear perception of where the trouble lay. Frederick Locock of the Colonial Office wrote the Select Committee on April 13, 1856, in a way that suggests, however, that he at least felt the Government had done wrong in not investing the civil servants' money and keeping a strict account of it. Said he:

What greater advantage * * * will accrue to the clerks through their savings being invested by the Government, than when

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, pp. 15, 16.

invested by themselves? Greater security, indeed, they would seem at first sight to gain; besides also the expenses of management being saved to them. But to what has this plan already practically been found to lead? Calculations have been made which seem to show that the Government has, for these twenty years past and more, forgotten what was the essential principle, the virtual understanding, on which such a plan must be framed. It has forgotten that the savings of a man's income are his own property equally with the income itself. It has forgotten that contributions given for a special object can be applied to that object alone. It has forgotten to put out the deductions to interest, and has not even so much as hid them in the earth, but has said, "Lo, there thou has thine own in part, but the rest I have given to others." Yea, strong indeed in possession, but weak in position, it has even been driven to deny the right of the clerks to the full amount of their income itself. Where then is the security? Where the advantage? Let not the Government any longer talk of special reward, when even the daily wages it has withheld; for not reward, not bounty, not compensation is here in question, but the simple restitution of what is due, the rendering an account of monies entrusted.^(a)

In the absence of knowledge to the contrary, the belief was general that the Government had made money by taxing its employees, and this belief undermined the loyalty of the service. Its demoralizing effect was set forth in strong terms by Sir Charles Trevelyan. Said he:

I conceive that there has been no breach of faith in reference to the abatements, but that the arrangement is in its nature inequitable, and that it belongs to that class of bad laws which are contrary to the natural sense of justice of mankind; in criminal jurisprudence the effect of such laws is that juries will not convict upon them. In civil administration the effect is, that they obstruct and baffle all our endeavors for the improvement of the civil service. However much we may endeavor to improve first appointments,^(b) to establish the principle of promotion according to qualifications and merit, to consolidate cognate establishments, to make a proper division of labor, or to fix responsibility, this question of abatements continually meets us, by raising discontent. Organization is a very important thing, but the maintenance of a proper feeling and spirit on the part of the public servant, is a still more important consideration; rules and systems are a poor security compared with that habitual sense of duty which induces a public servant, under all circumstances, to do the best he can for the public as a faithful steward of his time and opportunities; and that sense of duty can not be practically arrived at without the sentiment and feeling that the servants are equitably and generously dealt with.

According to general understanding in such cases, the Government in withholding a portion of the salary; that is, of the property of its servants, incurs the obligation of applying it in some manner for the benefit of the owner. * * * All terms of service ought to be of a very simple kind. Hence the impossibility of getting rid of the idea

^a Report on Civil Service Superannuation. 1856. Appendix No. 13, p. 430.

^b The Civil Service commission had just been established the year before, 1855.

of an appropriated fund. It rises upon us continually, almost daily. We have always, although the act did not prescribe it so in detail, spoken and written, and in a great measure acted upon the supposition of its being an appropriation for the purpose of paying the pensions of the contributors. For instance, in the receipt which we give for our salaries at the Treasury at the end of every quarter it is said, so much deducted for superannuation fund. * * * But there is a more painful illustration of it. For years past, and to this day, we are continually receiving applications from widows and orphans of servants who have died in harness, applying to have the abatements restored, and they state that their fathers or husbands have paid for so many years, 10, 15, 20, or 25 years, those deductions from their authorized salaries, but that they never obtained any benefit from them. * * * The answer that has been always returned has been that the deductions were made in accordance with the act, and that we had no power to restore them; but nothing has been able to persuade these poor people that they were not unjustly dealt with. I lately got out a bundle of applications of that kind, and the answers to them for the last four or five years, a great number, and they alone represented a mass of discontent and presumptive grievance, which was enough to spoil the tone of any public service. (^a)

DEFENSE OF ACT OF 1834 BY MEN RESPONSIBLE FOR ITS ENACTMENT.

Interesting light on the reasoning which had led to the passage of the Act of 1834 was given the committee by Sir James Robert George Graham, a member of the House of Commons, who had introduced the measure a quarter of a century before in behalf of Lord Grey's Government and Sir Francis Thornhill Baring, a member of the committee who had been a lord of the Treasury at that time. They both stoutly defended the act they had helped to pass in the one case and to interpret in the other, both in respect to the absence of a funding provision and the provision for deductions from salaries. Both stated positively their conviction that the formation of a fund was never contemplated by the Treasury minute of 1829, the Act of 1834, or the minute of November, 1834. Sir James Graham would not admit that the civil servants suffered any injury in consequence of the annual deductions not having been funded, maintaining, indeed, that the claim in equity of the civil servants was merely to the amount of superannuation laid down by the act, and administered through the Treasury, whether such amount were more or less than the deductions would provide. It was his recollection that the deductions were intended to operate as a reduction of salaries, which should more than cover the superannuations of the parties contributing. Sir Francis Baring stated, on the other hand, that the reduction of salaries was at the time expected to be insufficient to meet the expenses of the superannuations, and he felt that if the contrary had proved to be the case, it was a question of equity whether they ought

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, pp. 13, 14.

not to be revised. Both men were agreed that the main object of the act had been economy, and that a larger reduction of salaries would have been made in 1829 than really was carried out, had it not been for the imposition of the deductions. Both regarded the positive notice given in regard to the deductions as sufficient answer to the charge of inequity.

Each of them made a statement in defense of the system, however, which is a sound and interesting contribution to the arguments in favor of a contributory plan as against a straight pension. After contending that the system was "the best arrangement, on the whole, that could have been made," Sir James Graham was asked if he did not think the deduction a firmer security for the continuance of the pensions than a mere act of Parliament, which might be abrogated by a future Parliament, and replied: "Infinitely more security, and more steadiness in its operation. This system has existed now for 28 years without disturbance, whereas in the short experience before that enactment, both Treasury minutes and acts of Parliament varied almost every two or three years." In this connection, Sir Francis Baring stated that "there is one great advantage for the civil servant in the deductions, which is, that they are a shield against the House of Commons in any momentary feeling of economy running in, and making a great alteration with regard to the retired allowances. That is a feeling of which many honorable members now around me are not aware; but I was in the House of Commons when that feeling did strongly exist, and I know that at the time this deduction was taken many of the best and wisest of the civil servants, such as Mr. James Stewart, the Assistant Secretary at the Treasury at the time, considered it as a great advantage to the civil servant as a protection to him, and that he would be safe in future from having his retired allowances interfered with."

It had been argued, on the other hand, by those who opposed the system of abatements from salaries, that it put the Government in a position of less freedom in dealing with the civil servants than would have been the case had there been no such system of deductions. Sir Charles Trevelyan said:

One incidental objection to the abatements is, that it deprives the Government of its freedom of action in dealing with its servants; if the Government itself gave the pensions from the Consolidated Fund, it would be able to deal more freely with all classes of public servants, because there would be no vested interests arising from the abatements.^(a)

The special interest attached to this criticism and others like it expressed to the committee is the fact that the speaker did not seem

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, p. 55.

to realize that it was an attack on the lack of provision for refund of deductions, not an attack on the system of deductions itself.

DEFENSE OF WISDOM OF PROVIDING SUPERANNUATION ALLOWANCES.

It is worthy of note that in all the mass of criticism and suggestion submitted to the committee there was no question of the wisdom of providing superannuation allowances for civil servants. On the contrary, the policy was warmly indorsed by high and low, whether they argued for straight pensions or for a system of deductions.

Doctor Farr said:

Experience has shown that there are great advantages attending the present mode of remunerating public servants, partly by salaries, and partly by superannuation. * * * They are such as have led almost all the nations of Europe to adopt the system of paying partly by superannuation allowances. In the first place, it is a guarantee of fidelity; in the second place, it encourages efficient service; in the third place, it retains good men in the service; in the fourth place, it induces men to retire when they become old or inefficient from any cause; and in the fifth place, it prevents old public servants from falling into a state of disgraceful dependence, or of distressing destitution, which would be a public scandal, and might deter young men from becoming candidates for office. These advantages appear to me to be so great that I should very much regret to see the system of superannuation abolished.^(a)

INVESTIGATION PROVED DEDUCTIONS INEQUITABLE AND INADEQUATE.

The Select Committee having taken evidence for three months finally passed a resolution on May 20, that before coming to any decision they would lay the evidence before Messrs. Ansell and Morgan, the actuaries, with instructions that they direct their attention to the two debatable points so clearly indicated by Doctor Farr:^(b)

Whether the system of superannuation pensions and deductions from salaries established by the Act of 1834 is founded on principles of fairness and equity, in a pecuniary point of view, with respect to civil servants whose salaries are liable to deductions?

Or whether the deductions taken under this act are more than adequate to meet the charge under the act for this class of civil servants?

On June 16, the actuaries responded that they found the system not established on principles of pecuniary fairness and equity. Their conclusion was in exact agreement with that of Doctor Farr and the other actuaries who had expressed their views:^(c)

We are of opinion that there is sufficient reason for believing that the present rates of deduction do press unequally on different per-

^a Report on Civil Service Superannuation. 1856. Minutes of evidence, p. 180.

^b See page 61.

^c See page 64.

sons in the civil service; so that, other things remaining the same, those who enter the service at early ages contribute relatively more than those who enter late in life.

And further, that those who, starting with equally low rates of salary, but who subsequently rise to the highest salaries, and therefore become entitled to a higher rate of superannuation, do contribute relatively less than those who, having entered on the same low rate of salary, are so placed in the service as to give them little prospect of advancing beyond comparatively low or moderate salaries.^(a)

Like Doctor Farr, Messrs. Ansell and Morgan were unable to answer the second question without more information concerning the ages, salaries, and periods of service of the employees. They requested that elaborate data regarding the personnel of the service be prepared for their use. With great detail they explained their difficulty to the Select Committee in a letter from which the following extract is taken:

In respect to the second question, of the great importance of which we are fully sensible, we regret to be obliged to state that we do not find in the papers or evidence, the data on which we should feel ourselves justified in answering it with a conviction that we had made a sufficiently near approximation to the truth; and it is our duty to state, that before we can arrive at such a conclusion as we should desire, other and additional data must be laid before us.

The subject on which we are called upon to form an opinion, and to state that opinion to the committee, we consider to be far too important to the public service, and to the individuals comprising the civil service, to permit us hastily to draw conclusions from what appear to our minds insufficient statements of facts. * * *

We think, therefore, that before we can form any opinion upon which we could ourselves rely, we ought to be furnished with returns from several of the large and principal civil services of the country, showing,

1st. A return of all the persons now employed in the civil service in their respective departments, stating the nature of their appointments, their present ages, and present salaries.

2nd. A return of all the persons who have really left the service from other causes than death or superannuation during the last 10 years; the dates at which they respectively entered the service, and the dates at which they left it; also, the salary of each at the time of entry and the subsequent additions made thereto, with the date of each addition.

3rd. A return of all the persons who have been pensioned during the last 20 years; stating the dates of their entry into the service, the nature of their appointments, their salaries at the commencement, with the amount and date of each rise, the date of superannuation, and the amount of superannuation allowance.

4th. A return of all those persons who were on the superannuated list at the time when Return No. 3 might commence; stating their ages at that time, and the dates of death of such persons as having been on that list have died, or such other details as would show the

^a Report on the Operation of the Superannuation Act. 1857. Appendix I, p. 4.

rate of mortality which has prevailed amongst those who have been superannuated.

With information of this character before us to a sufficient extent, we should be ready, satisfactorily to ourselves, to form a fair judgment on the second question submitted to us; * * * but we believe that delay must inevitably take place if we are to investigate the subject in a way satisfactory to our own minds.^(a)

This letter was written June 16, 1856. The four returns asked for were furnished by practically all the departments of the Government, and Messrs. Ansell and Morgan set to work: On March 19, 1858, they submitted their report, showing that the deductions made from the salaries of the civil servants under the authority of the Act of 1834 were not adequate to meet the charge to which the public was liable under that act. Included in their report are fourteen tables covering a great variety of data concerning the 15,219 individuals comprising the British civil service. They had made "a most laborious arrangement of the facts communicated" to them and presented "many collateral results" which they naturally thought would be matters of interest to the Superannuation Commission appointed to carry on the work begun by the Select Committee of 1856.

RESOLUTIONS OF THE SELECT COMMITTEE.

In the meantime, the Select Committee had agreed to certain resolutions, one condemning the principle of abatement of salaries, and one affirming the policy of a revision of salaries, with reference to the abatements. What they recommended therefore was not an absolute remission of abatements, but a qualified and conditional remission—that qualification and condition being that the salaries of the entire civil service should be revised with regard to the deduction. The resolution ran as follows:

That in the opinion of this committee it is desirable to do away with the system by which a portion of the salaries of civil servants is deducted on account of superannuation allowances.

That, as a condition of such deductions being done away with, the rates of payment in the various branches of the civil service shall, at the earliest possible period, be revised with a due regard to the amount of deductions remitted, as there is no ground for an indiscriminate augmentation of salaries, which would otherwise result from the change proposed; that the revision now referred to shall be made previous to the 1st of April, 1857, when the abatements shall cease.

In consequence of this action of the committee, the Government brought in a bill, which was introduced by the Chancellor of the Exchequer, Sir G. Cornwallis Lewis, at the close of the session. This bill proposed to remove the deductions paid by the civil servants and also

^a Report on the Operation of the Superannuation Act. 1857. Appendix I, p. 4.

to reduce the salaries to the amount of the deduction remitted. The bill failed to meet with general approval, and owing partly to that cause and partly to the advanced period of the session it was withdrawn.

SUPERANNUATION COMMISSION, 1857.

During the Parliamentary recess of 1857, following the failure of the Select Committee's bill, the Lords Commissioners of the Treasury proceeded to appoint a royal commission "to investigate this important subject in all its branches." It appeared from this that the Government was not willing to attempt to force into legislation the recommendations of the parliamentary committee, but thought it wise to refer the matter to still another tribunal.

Owing to the fact that it resulted in such important legislation, the report of this commission is worthy of special study. After reviewing the history of superannuation measures under the British Government, from the earliest times down to the passage of the Superannuation Act of 1834, the commission considered the inequalities and anomalies under the existing law, noted the consequent dissatisfaction of the civil servants, and came to the conclusion that a new system of superannuation must be established.

COMMISSION'S REASONS FOR ADVOCATING A SUPERANNUATION SYSTEM.

There seems to have been no doubt in the minds of the commissioners that it was necessary for the good of the service to continue the practice of retiring the superannuated on an allowance. The only question was as to what was the best system, and how the existing regulations would have to be altered in order to adapt them to the new system. Said they:

The first question which presents itself with reference to this subject is the expediency of providing superannuation allowances at all. It has sometimes been argued that the only duty of the Government is to offer due remuneration in the shape of salary for the services performed, and that it ought to be the business of the civil servant to make provision out of that salary for his own future wants or those of his family. Although this question must be considered as settled by the established practice of this country, and also as assumed by the appointment of the present commission, it may be convenient, with reference to our future course of argument, that we should state the grounds for the opinion which we hold upon it. Having regard to public interests alone, we think that there are ample reasons for maintaining a system of superannuation allowances.

1st. It must be recollected that incapacity, caused by illness or other infirmity, may happen at any period of life, and is not a calamity for which it is easy to provide by means of insurance, as in the case of death; and it must also be borne in mind that, with a view to the due performance of his duty, it is important that a civil servant should feel

himself in a safe and independent position, and that his mind should not be harassed or distressed by anxiety respecting his future condition.

2nd. Supposing an assiduous and devoted public servant, who has spent the best part of his life in the service of the State, to become suddenly incapacitated by disease or bodily infirmity, public opinion would not allow that such a man should be permitted to starve. Although the want of any provision may be attributable to his own improvidence, this would not be considered as exonerating the Government from making some special provision for him. Sir J. Graham says, in his evidence before the Committee of 1856: "I have the strongest opinion that whether there were any deduction made or not, and whether there were any specific contract made by the State or not, cases of such extraordinary hardship would present themselves on the part of faithful servants, worn out in the public service, that the claim for pension upon retirement would be irresistible." Such cases might not infrequently occur, and an irregular and objectionable practice of making special provision for particular cases would thus be gradually introduced. There can be little doubt that it would be more for the interest of the service to establish, beforehand, general rules under which superannuations should be awarded; and it is also probable that this system would, in the long run, be found more economical, inasmuch as the prospect of a provision on retirement would be considered as a part of the remuneration for the services to be performed, and would be taken into account in regulating the amount of the salary.

3rd. It is probable that, in many cases, the hardship of removing an estimable public servant without provision would be avoided by retaining him in the service after he had become incompetent to perform his duties. This is, perhaps, the strongest argument in favor of a system of superannuation. It may be true that it is strictly the duty of heads of departments to remove from the service all public officers who have become, from any cause, incompetent fully to discharge their duties, without regard to their feelings or their future position; but experience has shown that this is a duty the performance of which it is most difficult, if not impossible, to enforce; and as it is impracticable, by any regulations, to define beforehand at what stage of declining health or increasing bodily or mental infirmity incompetence begins, the result is that, in the absence of superannuations, inefficient persons are retained in the public service. * * * The injury caused to the service by the retention of inefficient officers might, no doubt, be in part corrected by increasing the numbers of the establishment beyond what would have been required had all the servants been effective; but it would be impossible to justify such an arrangement, and under such circumstances the public service would be a loser for want of superannuation allowances, probably in actual money, and, at all events, in the less direct results. The evil consequences of retaining a single civil servant in an important post for which he has become incompetent can not be estimated in money, and may be much more than an equivalent for the expense of the superannuation of a whole department. For these reasons we are unhesitatingly of opinion that the public interests will be best consulted by maintaining a system of superannuation allowances.^(a)

^a Report on the Operation of the Superannuation Act. 1857. pp. X, XI.

COMMISSION'S OBJECTIONS TO A CONTRIBUTORY SCHEME.

Having thus explained the grounds on which they thought it desirable to retain a system of granting superannuation allowances, they proceeded next to consider whether it was desirable to establish a fund for the purpose, to be supported by the contributions of the civil servants, and decided that it was not. Their reason for this decision was that experience had proved it difficult "to prescribe beforehand any scale of contribution which shall be so adjusted as to supply the requisite amount without material surplus or deficiency. If then, the fund should prove deficient," they argued, "such deficiency must be supplied from the public revenue, and no object will have been gained by carrying the compulsory contributions of the civil servants to a separate account. If, on the other hand, the fund should prove to be in excess, difficult questions must arise as to the equitable appropriation of the surplus." They were, therefore, disposed to agree with the legislature of 1834 in considering it inexpedient to establish a superannuation fund.

Assuming that no such fund was to be created, the commission next considered whether the civil servants should be charged with deductions from their salaries on account of superannuations, and came to the conclusion that such a course was undesirable and that a system of "engaging public servants at a certain net amount of salary, with a conditional prospect of superannuation on certain terms," was simpler and more straightforward. They gave as one of the reasons for this conclusion the opinion that a system of deductions "has an injurious effect in creating an erroneous impression as to the real nature of the transaction. The payment of a charge on the salary for the purpose of providing superannuations almost necessarily suggests the idea," said they, "of the existence of a fund to which each civil servant has contributed, and in which he, therefore, may be supposed to possess a certain right of property," and they were led to doubt whether the impression could be entirely removed, except by an alteration of the system. Their other objection to the system of deductions was the fact that it necessarily "raised questions as to the sufficiency or insufficiency of the superannuation allowances considered as an equivalent for the deductions paid, and this not only with reference to the whole service, but with regard to particular departments, or even individual cases." In this connection, they noted the complaint of individuals compelled to pay deductions, although from special circumstances there was little or no chance of their ever deriving benefit from superannuations. In short, the great overwhelming impression which the commissioners received of the system which they were investigating was of the inequalities which the system of deductions as administered sanctioned in the remuneration of different classes of civil servants.

RECOMMENDATION THAT DEDUCTIONS FROM SALARY BE ABOLISHED.

They saw only two ways of removing these inequalities—either by reducing the advantages of the favored classes or by improving the condition of the others. Feeling reluctant to interfere with the position of those civil servants entitled to full superannuation without the payment of deductions, they recommended as the only alternative the abolition of deductions, thus increasing by that amount the incomes of the civil servants then paying deductions. They justified this recommendation with the statement that “by such a measure the members of all the leading departments of the civil service would be placed on an equal footing as to salaries, inasmuch as all would alike receive, without abatement, the salaries which are stated to have been awarded to them on equal terms.”

Besides recommending the abolition of deductions, the commission recommended six other changes in the system of granting superannuation allowances. They were:

- (1) The adoption of a new scale of retired allowances.
- (2) The reduction of the age of voluntary retirement from the public service from 65 to 60.
- (3) Compulsory retirement from the service at 65 years of age, except in certain special cases.
- (4) The application of a more liberal scale of superannuation to certain officers requiring professional knowledge, and the power of applying a special scale to other individual cases where, on the first appointment, it might appear, for special reasons, to be proper.
- (5) The application of the ordinary rules of superannuation to various officers and departments which had previously been treated as exceptional cases, so as to secure, so far as might be practicable, a uniformity of system.
- (6) The power to award gratuities or pensions in certain cases to civil servants who might by reason of ill health or bodily injury be required to retire before they had become entitled to a retired allowance, and to regulate the amount of compensation to be awarded on the abolition of offices.

The fifth recommendation applied to the Permanent Under Secretaries of State, the Second Secretary of the Admiralty, and the Permanent Secretary of the India Board, who were all treated by the Act of 1834 as political functionaries, although those offices were never held by members of Parliament and never vacated on a change of administration. The commission held that they should be placed under the rules of the ordinary civil service, giving them, of course, the benefit of an exceptional rate of superannuation, if on inquiry they should appear to fall within the principles laid down. With regard to the judicial officers (whose pensions were regulated by

many different acts) the commission did not think it within their province to decide which of them should be placed under the provisions of the general superannuation act; but thought that in all cases in which it was deemed right to place them under the general act they should have the benefit of the exceptional rule recommended above. With regard to the inferior officers in the dockyards and victualing yards and to certain artificers in the arsenals, who had complained that they received their superannuation according to an antiquated scale considerably lower than that applied to the ordinary civil service, the commissioners held that there was no good reason for making any one department an exception from the general rule. To reform the anomalies in the Department of the General Post-Office, the commission recommended that the system of granting superannuation should be revised with a view to placing it on a more uniform principle. This recommendation applied also to the peculiar class of clerks employed in public offices under the name of extra clerks, although a portion of them at least had come to be permanently employed. The commission found that there was no good reason for pensioning them on a lower scale than the other clerks, assuming them to be permanently employed.

REFUSAL OF THE COMMISSION TO RECOMMEND AN INSURANCE FUND.

The petition of a large body of civil servants that compulsory contributions be required for the purpose of creating an insurance fund, to be managed by the civil service but under the general control of the Government, received very slight consideration from the commission. Confusing this request apparently with the idea of pensions for widows and children—a very different proposal—they dismissed it in the following words:

In some countries the provision made by the State for its servants has been carried still further, and has included their widows and children after their death. As a question has been raised in some of the memorials of the civil servants as to the expediency of such an extension of the system, it may be right to notice the subject. It appears to us that none of the three reasons which have been stated in favor of superannuation allowances apply to the case of a provision for widows and children.

1st. It is true that many civil servants may feel an equal anxiety for the future welfare of their wives and children as for their own; but against the chance of premature death there is a certain and easy mode of providing by means of insurance; and it can not be doubted that those who would suffer from anxiety on this subject would be likely to have recourse to this means.

2nd. It does not appear that in this country, at least, public opinion would require that the civil servant should be relieved from the duty of providing, by insurance or otherwise, for the future support of his family, and that this burden should be thrown upon the State. It is

true that sympathy has of late years been excited in favor of some claims for assistance made by the widows of deceased civil servants; but in these cases the applications were grounded, not upon a general claim for provision as widows of civil servants, but on the fact that their husbands had made large contributions under the name of deductions to a supposed fund, from which they had themselves received no benefit, and on which it was, therefore, supposed that their families might have an equitable claim. The third reason is, of course, inapplicable to the present case.^(a)

INDIFFERENCE OF THE COMMISSION TO ACTUARIAL PHASES OF THE PROBLEM.

This memorable report strikes the student of superannuation schemes as remarkable for two important omissions. It ignored absolutely all actuarial phases of the subject and it barely mentioned the interests of the British taxpayer.

The most important recommendation—the abolition of deductions from salaries to meet the charges of superannuation—constituted a change of the whole system from a contributory to a noncontributory plan. It meant the establishment of a civil pension list similar to the military pension list. It meant that members of the civil service were to be retired thereafter out of the public revenues without cost to themselves.

This momentous change was recommended by the commissioners because they saw the inequalities of the system in vogue, recognized the fact that the civil servants had just cause for complaint, and knew of no other remedy. Failing to perceive that fixed mathematical principles must underlie any sound superannuation scheme, and that if any given plan proves inequitable and unsatisfactory it is because it violates such principles, they came to the conclusion that the easiest and quickest way to cut what seemed to them a Gordian knot was to recommend a free, general pension for everybody in Her Majesty's permanent civil service.

As previously explained, the eminent actuaries who had been engaged by the Select Parliamentary Committee to determine whether the deduction made under the Act of 1834 was adequate to meet the charges, had found it necessary, before they could answer this question, to make a thorough study of the whole civil service of the country, classifying the members according to age, length of service, average and aggregate salaries, and the amount of aggregate deduction to which they would have been liable under the Act of 1834. From this mass of data they deduced some valuable tables. With these as a foundation it would have been entirely possible for them to work out a contributory plan of retirement based on scientific principles, fair to the civil servant, fair to the taxpayer, and equitable as

^a Report on the Operation of the Superannuation Act. 1857. pp. XI, XII.

between different classes of civil servants. Work similar to that done by Messrs. Ansell and Morgan with respect to the 15,219 individuals of the British civil service in 1856, who were contributing from their salaries, has recently been performed (in 1907) by Mr. Morris Fox, the government actuary of New Zealand, with respect to the 5,593 individuals of the New Zealand civil service, and in 1906 by the author of this report with respect to 103,030 individuals of the civil service of the United States, and again in 1908 with respect to 170,228 members of the service, including practically all those classified. The task of Mr. Fox and of the author was, in each case, more laborious than that accomplished by the British actuaries of 1856, because the former were required, in the one instance by the Public Accounts Committee of New Zealand's House of Representatives and in the other by the committees on civil service in the two houses of the American Congress, not only to make a classification of the members of the respective civil services as to age, salary, length of service, etc., but also to compute the cost of establishing a superannuation scheme based on sound actuarial principles and on the statistics of the given services. Had the British actuaries been asked to carry their work to its logical conclusion in similar fashion, they could undoubtedly, after their study of the service, have presented to the Government a superannuation scheme sound in principle and detail, and suited to the requirements of the British service, and with it a reliable calculation as to the possible maximum cost of putting it into operation. But the actuaries of Great Britain were entirely disregarded. Not even waiting to receive their report, and failing to perceive that the problem was a technical one capable of accurate and positive solution, the civil service superannuation commissioners hastened to urge the abolition of the contributory system. The law establishing the pension system was passed before the actuaries had finished their report or before any one had had a chance to consider it.

This haste of the commissioners to abolish the system of deductions seems all the more astonishing in view of the fact that a large number of the civil servants had gone on record as not averse to compulsory abatements from their salaries, provided those abatements were used to create an insurance fund—in other words, provided they were turned to the benefit of the contributor's family in case of death. Doctor Farr, who had advised a general pension system in preference to the existing contributory plan, had not asked for the complete abolition of deductions. He knew that that would not meet the needs of the situation. He had urged the straight pension only in connection with the diversion of deductions to the payment of insurance premiums. Through the half century that has elapsed since the Act of 1859 was passed, the need of some provision in case of death before

reaching pensionable age or just after has continued to be felt and to be dwelt upon. It has lately been officially recognized by passage of the Act of September 20, 1909. It seems strange, therefore, under all the circumstances, that the whole subject was not thrashed out with more thoroughness, with the help of the expert actuarial talent that was available at the time the momentous change was made.

The indifference of the commissioners of 1857 to the actuarial phases of the problem is evidenced by various details in their report. They recommended, for instance, the adoption of a new scale of retired allowances, without making a single calculation as to the cost of such a change. They also recommended that the age of voluntary retirement be reduced from 65 to 60 years, without apparently considering the enormous increase in the cost of annuities purchased at the earlier age, an increase caused by two counts, the greater number eligible at the age of 60 and the higher scale of values.

INDIFFERENCE OF THE COMMISSION TO COST OF FREE PENSION SCHEME.

The most obvious and fundamental objection to any universal pension scheme is that of the expense which it puts upon the people of the country. This well-known fact was noted by the commissioners, but did not deter them from recommending a general pension. Their discussion of that subject was confined to the following paragraph:

The single, but not unimportant, objection to this solution of the difficulty is, the additional charge which it would impose on the public revenue. We are not disposed to treat lightly the pecuniary view of the question, and we are well aware of the reluctance which the Legislature must feel in imposing an additional burden on the public finances. ^(a)

The commissioners appear to have made no attempt to calculate, or even estimate, the amount of that "additional charge" which they recommended. Convinced, apparently, that a civil pension, payable out of the public treasury, was the only solution of the problem which was puzzling them, they seemed resolved not to "count the cost."

REPEAL OF THE TWENTY-SEVENTH SECTION OF THE SUPERANNUATION ACT OF 1834, 1857.

The report of the Superannuation Commission was submitted to the Treasury Lords on May 15, 1857. On June 30 Lord Naas in the House of Commons moved for leave to introduce a bill to repeal the twenty-seventh section of the Superannuation Act of 1834, which was the section providing for deductions from salaries. The bill met with opposition from the Government, but was finally passed by a large majority in both houses of Parliament.

^a Report on the Operation of the Superannuation Act. 1857. p. XXI.

BILL FOR REPEAL INTRODUCED BY LORD NAAS.

In the course of his speech asking for leave to introduce the measure Lord Naas reviewed the history of superannuation measures in England down to the passage of the Act of 1834, and then proceeded to point out some of "the inequalities and anomalies" of that act, such as the fact that "out of 56,740 employed in the civil service, at salaries amounting in the aggregate to £5,595,000, (\$27,228,067) only 15,311 were subject to abatements; the other 41,429, whose salaries amounted to £3,172,000 (\$15,436,538), were guaranteed their pensions, but suffered no abatements." In addition to these inequalities, he considered that there were three weighty objections to the whole system of the civil service: First, that the civil servants were not altogether sufficiently remunerated, the average pay being only £141 (\$686) per annum, and of two-thirds of that number the average salaries amounted to but £86 (\$418) per annum; second, that many of those who contributed to the fund did not get any benefit from it, the most delicate calculations of all the actuaries in the world not being able to persuade the six out of the seven who never received any allowance that they were fairly treated; and third, the fact that the amount of reduction was more than equal to the whole superannuation paid, the tax amounting to upward of £66,000 (\$321,189) a year and the allowances paid to only about £11,000 (\$53,531), and the entire contributions of the civil servants during the twenty-seven years the act had been in operation to £900,000 (\$4,379,850), of which £80,000 (\$3,893,200) only had been returned to the contributors in the shape of allowances, leaving a balance of £820,000 (\$3,990,530), which if it had been funded would have amounted to £1,000,000 (\$4,866,500). Lord Naas referred in terms of warm approval to the report of the Superannuation Commission, saying that, considering the high position and experience of the commissioners, and the long time that the question had been debated, he was justified in looking at their decision in the light of an arbitration between the civil servants and the Government. On their decision he rested his whole case, and he craved the attention of the House to this very important passage of their report (which is the one usually quoted wherever authority is sought for a sweeping condemnation of contributory systems, but which seems to the student only a frank confession of the commissioners' puzzled and baffled consciousness).

It has not been without much anxious consideration that we have arrived at the conclusion that it is our duty to recommend the abolition of deductions for the purpose of superannuation, without any corresponding reduction in the salaries on which such deductions have been charged. Our first impression in entering on the inquiry referred to us was adverse to this arrangement; but on a careful review of all the difficulties of the case we became satisfied that, with a view to public interests alone, we could recommend no other set-

tlement of the question as likely to be permanent and satisfactory. We are aware that the present system of deductions has had high authorities in its favor, and at the time when it was introduced it may have been considered a convenient mode of carrying into effect the unpopular measure of a general reduction of salaries. Nevertheless, for the reasons which we have already stated, we believe it to be unsound in principle; and we think that its inherent defects have developed themselves in difficulties of administration of which the effect has been to create a mass of anomalies and inconsistencies most injurious to the public service. In this as in other similar cases it may be found impracticable to escape from a vicious principle and to establish a reasonable and uniform system without some temporary pecuniary sacrifice; but believing that there is no other satisfactory solution of the difficulty, being confident that the ultimate advantage of the public will be much more than a compensation for any possible temporary loss, and having regard to the importance of maintaining the character and efficiency of the civil service, we are of opinion that by the recommendation which we have made we shall best discharge the duty which has been assigned to us.^(a)

Lord Naas said, in conclusion, that he thought he had shown that there was a sufficient reason for the immediate abolition of the superannuation tax, and as the Government declined to do anything in the matter, he called upon the House to support his bill. The remedy which he proposed was to introduce a bill containing but one clause, repealing the twenty-seventh section of the Act of 1834, which authorized the deductions. This course, however, he said, would not prevent the Government from imposing such conditions as they might deem necessary.

BILL OPPOSED BY THE MINISTRY.

To the student of the subject it would seem that Lord Naas had given sufficient proof of the anomalies and inconsistencies of the law, but had hardly shown that the abolition of deductions was the correct and only remedy for them. This failure of Lord Naas was pointed out by Sir. G. Cornwallis Lewis, the Chancellor of the Exchequer, who rose to the defense of the Government, saying: "The subject is too wide, the questions involved are too large, the civil service, whose interests are affected, is so important, and the sum of money which the noble lord proposes to vote away is too great to allow me to be silent on this occasion." After reviewing the course of previous legislation he concentrated his arguments on the sensible plea that no piecemeal legislation should be enacted by the House, but that the subject should be considered, as a whole, in all its bearings, and action taken only after the actuaries' final report had been submitted and the subject thoroughly discussed in the light of that report. He said that:

The question which now arises is whether the House shall at once proceed to repeal the clause in the Act of 1834 without any further

^aHansard's Parliamentary Debates, 3d series. CXLVI, pp. 690-698.

legislation on the subject, merely upon the suggestion of the facts brought under their notice to-night. The noble lord did not state to the House that the recommendations of the commissioners involved a great number of questions which do not belong strictly to the subject of these abatements, and if he founds his case upon the report of the commissioners he is bound to give effect to the whole of their recommendations. * * * Another part of the question which must be considered is the great magnitude of the sum involved, and the importance of not taking a hasty step or legislating on imperfect information on account of the large pecuniary interests which are at stake. * * * I am perfectly willing to concede to the noble lord that the present system, under which superannuation allowances are granted, is full of anomalies and inconsistencies, and that the present rule with respect to the abatement is far from satisfactory. I can not admit, however, that the creation of a fund was ever promised, either by Parliament or by the Government; neither can I admit that there has been any breach of a contract by any Government. The commissioners themselves distinctly state their opinion that no such breach of contract has taken place, and that the civil servants have no claim on the ground of equity for the proposed change. The commissioners recommend the change on the ground of expediency. They say, "the system is a bad one; you must pay forfeit for the abolition of it; you can not get rid of it without surrendering £60,000 (\$291,990) or £70,000 (\$340,655) a year, and we think the system is so bad that we advise you to abandon it, even at that cost." I admit, then, that the system is a bad one, and I regret that it was ever introduced. * * * Looking, then, to the extensive consequences of the simple alteration of one clause which the noble lord proposes, and considering the necessity of legislating upon this subject—if it is to be legislated upon at all—in a more comprehensive manner and with a wider regard to consequences than is now proposed, it is not in my power to vote in favor of the motion of the noble lord. I would also say that I do not see how the Government would be justified in undertaking to do anything with regard to this question *until the report of the actuaries has been received*. The subject is now under the consideration of the actuaries, and the commissioners promise the result in a supplementary report. Under all the circumstances then, and looking at the position in which the question stands, I do not see how it would be possible for me to accede to the motion of the noble lord. It is for the House to say whether the question can be decided in this summary manner, and whether, as guardians of the public purse, considering the large sum of money involved in this motion, they think themselves justified in deciding in favor of it.^(a)

The Chancellor of the Exchequer assented to the introduction of the bill, however, on the understanding that the object of such concession was merely to give an opportunity for fuller discussion. The bill was accordingly read for the first time.

On the motion for the second reading of the bill, on July 23, Mr. Wilson, then Secretary for the Treasury, stated the reasons for the Government's opposition to the bill. Taking up, first, the general belief that the contributions which the civil servants of the Crown

^a Hansard's Parliamentary Debates, 3d series. CXLVI, pp. 703-707.

had made toward their pensions were considerably larger than necessary to provide for those pensions, he said that he was prepared to admit that if that case could be established, whatever the terms of the compact, it would be politic to abandon the charge or at least to reduce the charge to what was merely sufficient to provide the pensions. Repudiating the idea that there had been any breach of engagement on the part of the Crown with the civil servants, he next said that the whole question resolved itself into one of policy, and that it had been justly stated in the report of the commissioners that, after all, this was a question of the remuneration of public servants, and that the claim of pension could not be separated from the amount of salaries. Reviewing the salary question, Mr. Wilson argued that if there were injustices in the matter of remuneration paid different classes of employees, those injustices would only be increased by the general abolition of abatements from salaries. He said that:

Although the insufficient remuneration of public servants might be a just ground for revising the scale of salaries, it could be no reason for an indiscriminate increase of salaries, without regard to merit or efficiency. The proposition of the noble lord would amount to an indiscriminate increase of salaries throughout the public service to the extent of 5 per cent upon salaries exceeding £100 and £2 10s. per cent on salaries below that amount. Now, supposing some portions of the public service were at present underpaid, an increase of $2\frac{1}{2}$ or 5 per cent upon the existing salaries might be quite insufficient to raise those salaries to a proper amount; and would it be any satisfaction to persons in such a position to receive this increase when the same increase was given to a large body of public servants who could not complain of being underpaid? Some years ago a proposal was made to reduce the salaries in all public departments by a uniform rate of 10 per cent, and that proposal was opposed on the ground that if any portion of the public servants were overpaid it would be proper to reduce their salaries, but that the indiscriminate reduction proposed was neither just nor reasonable. * * * There was one point to which he begged to call the serious attention of the House. Until the noble lord introduced this bill no proposition had ever been made to give up the abatement unaccompanied by a revision of salary.^(a)

Coming to consideration of the bill itself, Mr. Wilson attacked it as bound to create an anomaly greater than any which now existed. He showed that the commissioners had pointed out existing anomalies without end, with not one of which the bill proposed to deal. Said he:

It proposed to repeal a single clause in the Act of 1834—the clause, namely, which imposed the abatements. The noble lord left the act in every other respect as it was. Now, the effect of that act was that certain persons only were entitled to pensions. The bill of the noble lord sought to relieve these persons from the payment of abatements, but it did not propose to give pensions to any other class of public servants. The officers of the Poor-Law Board were not entitled

^a Hansard's Parliamentary Debates, 3d series. CXLVII, pp. 249–253.

to pensions, and they felt that they had no reason to complain, because they were not required to pay abatements. The officers of the Treasury, on the other hand, were entitled to pensions, and therefore they had no right to consider themselves aggrieved in being called upon to pay abatements. Under the bill of the noble lord the officers of the Treasury would continue to be entitled to pensions, although relieved from the payment of abatements; while the officers of the Poor-Law Board would not be more entitled to pensions than they were at the present moment. Nothing could be more unjust than such a distinction. If all public servants were to be put upon the same footing with regard to abatements, so ought they also with respect to pensions; and if the bill of the noble lord passed, it would be impossible to resist their demand. * * * That bill, if passed, would destroy the line of demarcation between those who were and those who were not entitled to pensions. It was proposed that they should then give up a sum of £100,000 (\$486,650) without any discrimination, to public servants; but he would answer for it that if that proposal were adopted they would have to add another sum of at least £250,000 (\$1,216,625) for pensions to persons who were not at present entitled to receive them. He would go farther and express his belief that, under that proposed arrangement, they should look forward to an addition to the public expenditure of not less than from £300,000 (\$1,459,950) to £400,000 (\$1,946,600) in the course of the next eight or nine years.^(a)

Mr. Wilson closed his speech by declaring that the question was not between the civil servants and the Government, but between them and the taxpayers of Great Britain. He therefore hoped that if the House of Commons, judging between their constituents, the taxpayers, and the civil servants, should decide that the latter were inadequately paid and that therefore they were justified in throwing away £100,000 (\$486,650) a year directly, besides some £300,000 (\$1,459,950) or £400,000 (\$1,946,600) a year indirectly, they would be equally willing, when they had forced the Government into a corner and it became necessary to propose new taxes for meeting that increased expenditure, to support the Government in adding to the income tax or imposing any new tax that might be required to equalize the expenditure and the means of the country.

DEBATE ON THE BILL.

At the close of Mr. Wilson's speech, Mr. Weguelin, who had been one of the commissioners who inquired into this subject, spoke in favor of the bill and against the arguments for delay urged by the Chancellor of the Exchequer and the Secretary for the Treasury. He said that:

Another reason urged for delay was the non-presentation of the report of the actuaries. He could not understand why that should be urged as a reason. If the abatement had accumulated, and the Government admitted that a fund had been created, the case would be different. But if they said the clerks among themselves had no right to the principle of mutual assurance, he could not tell why they

^a Hansard's Parliamentary Debates, CXLVII, pp. 256-257.

should wait for the report of the actuaries. The appointment of actuaries necessarily assumed that there was a fund—that the deductions paid by other classes had formed a fund out of which to pay the superannuations. They were then in this dilemma; either there was a fund, which was contrary to the statement of the honorable gentleman, or if not, then there was no occasion to wait for the report of the actuaries. He thought the real question for the House of Commons was, as to the policy of continuing these abatements. Everybody, when they came to examine the matter, abandoned them. The committee appointed to investigate the matter had thrown them over; the commissioners had given them up; every debate in the House had been conducted on the principle of the abandonment of the system of abatements, and the real question now before the House appeared to him to be, whether or not there ought to be an increase of salary on account of these deductions. That question of salary he admitted the House were incompetent to enter into; it must be left to a committee of the Treasury. Judging from what he saw around him, he believed that salaries generally were on the increase. He knew they were in commercial concerns; but with respect to that the right honorable gentleman made a statement which was not exactly in accordance with the fact. He stated that the average salaries at the Bank of England were lower than the average salaries paid to the civil servants. The general average, however, in the Bank was £195 (\$948) per annum, whereas in the civil service it only amounted to £147 (\$715).^(a)

The position of the Government was next defended by Sir Francis Baring. As one of those responsible for the passage of the Act of 1834, he was naturally inclined to defend the system of deductions, but he nevertheless conceded that the question of deductions had been settled, the Government having yielded that principle. The real question, he maintained then, was not about deductions, but the second reading of the bill, and to that he had objections. Not only did he object to the bill because it would be no settlement of the question, but because it would make a large increase in the salaries of the public servants in a manner not required, and at the same time most injudicious. They were going to increase the higher services by 5 per cent, and to increase the salaries of the lower class of civil servants, by only $2\frac{1}{2}$ per cent. The bill, therefore, gave advantage to the highest and best-paid class of public servants, which it withheld from the poorer and hardest-working servants.

Mr. Seymour Fitzgerald, who had been a member of the Select Committee, defended Lord Naas's bill on the general ground that the civil servants had just cause for complaints, and that members of the House should be ready to face the extra expense for the sake of the extra advantage from the increased efficiency of the public service.

An energetic speech against the bill was made by Mr. Rich, who said it was "imperfect in its form, would be unjust in its operation, was quite unnecessary, based upon erroneous statements, involved

^a Hansard's Parliamentary Debates, CXLVII, pp. 268-269.

an extravagant expenditure of the public money and recognized a breach of contract." He said the question was not one of abatement, which had been inquired into and decided against; but it was a question whether £100,000 (\$486,650) a year should be added to the salaries of the best paid of the public servants.

Lord Naas next took up the debate, answering the attacks made on his bill by the members of the Government. Particularly interesting to the student of retirement plans are his conclusions, based on the opinions of the several actuaries, who had testified that the average value of the pensions received was less in individual cases than what the contributions would have purchased. It has been shown that this opinion was perfectly sound, but it is also known (what Lord Naas was unwilling to wait to find out) that the actuaries then investigating the matter discovered that the contributions would be inadequate in the aggregate to pay the pensions promised. Lord Naas said that:

The Secretary for the Treasury (Mr. Wilson), whose motives in opposing the bill no one could doubt were very proper, had, however, made some statements of facts and figures in a manner which tended to create a false impression. The honorable gentleman had stated that there was "an impression" abroad that the civil servants of the public were called upon to pay more in deductions than they received back in pensions. That was not "an impression;" it was a distinct matter of fact, and it could be proved beyond all dispute that the contributions of the civil servants far exceeded in amount the pensions that were granted to them. That matter ought to have been set at rest after the evidence which had been taken before the committee which sat last year upon the subject. They examined Doctor Farr, Mr. Edmonds, and Mr. Hardy, actuaries of the highest eminence, and documents were produced showing that six other distinguished actuaries agreed with them in an opinion that the average value of the pensions actually granted was considerably less than what should have been given in return for the contribution paid by the civil servant, even omitting all profits arising from resignations and discharges. It was true that an inquiry was going on, or was supposed to be going on, directed in some measure to that point; but the evidence before the House would lead them to believe that it was unlikely there would be any different conclusion arrived at than had been come to by the committee.

Lord Naas closed his remarks with the argument that the system of abatements had been generally condemned and the House would do well to recognize that fact and act at once, rather than wait and allow the dissatisfaction of the civil servants to become intensified. He said that:

Those who complained that the measure did not settle the whole question nor embrace the whole recommendations of the commissioners ought to bear in mind that their great leading recommendation was contained in his bill. If the bill did not sweep away all the anomalies and inequalities that existed, still it swept away the most grievous anomaly, and he believed it would pave the way for the

abolition of all the others. But the question he had now to ask was, what did the Government propose to do? * * * He wished to know from the right honorable gentleman the Chancellor of the Exchequer whether the Government meant to set their face once and for all against every attempt to do away with the abatements made for superannuation allowances? His decided opinion was that they must make up their minds to do away with these abatements or not deal with the question at all; unless they made the principle of non-abatement the root of their measure it would be unsatisfactory to the civil servants, and, he believed, to the House and country. The system had been condemned by that House, by the press, and by the good sense of the people of this country. * * * It had been condemned by a committee of that House, which had given long consideration to the subject; and lastly by a royal commission, whose report should be looked at more in the light of an arbitration than anything else. In fact, the whole system of taxing salaries stood condemned; and although there might be honorable members who thought the system just and proper, he trusted that with the weight of authority to which he had alluded to support them, the Government would put the matter on a satisfactory footing. The continuance of the existing system caused great dissatisfaction among a large and important body of public servants whom it was most desirable to keep contented. They felt they had a grievance to complain of, and the House might depend upon it they would not be satisfied till that grievance was removed. The agitation would go on, and they would not rest contented with less than was now proposed for the relief. Next year the demands of the civil servants instead of being lessened might be enlarged; and the House might find that it was not one grievance only they were called on to redress. We boasted in this country of the stability, the firmness, and the integrity with which the business of every department was conducted. These we owed very much to the exertions and abilities of the civil servants of the Crown, and when they were told by high authorities that this class labored under an oppressive grievance he maintained that the House ought to redress it at the earliest possible opportunity, and he trusted the House would, by accepting his bill, put an end to the grievance at once, and thus confer a boon and recognize a right.^(a)

One of the strongest speeches against the bill was made by Mr. Gladstone, who took exception particularly to Lord Naas's statement that the system of deductions was a condemned system, and who pointed out that the matter could not be cleared up before the report of the actuaries was received. Said he:

It is stated or assumed that the system of making deductions from the salaries of the civil servants with a view to providing funds for superannuation is a system which has been condemned on all hands. It has been condemned, it is said, by a parliamentary committee, by the royal commission, and it is assumed to have been condemned by the Government. It was condemned, I am sorry to say, by the parliamentary committee—I greatly regret that such should have been the case—it has been condemned by a royal commission, which I look upon as being of less authority; whether it has been condemned by the Government or not I am not aware. But the system which at

^a Hansard's Parliamentary Debates, CXLVII, pp. 649-656.

present exists was founded under recommendations entitled to quite as much weight as any of the recommendations which have been made in the opposite direction.

Mr. Gladstone then quoted the opinions of such eminent men as Sir James Graham, Mr. Tierney, Mr. A. Baring, Lord Althorp, Mr. Herries, Mr. Gouldburn, and Sir Henry Parnell to prove that the policy of making deductions from a salary as an equivalent for a prospective superannuation is "sound in principle and in effect is excellent." He said that:

They were men, most of them among the most experienced administrators of their day, and one or more of them had originally belonged to the permanent civil service. The weight of testimony, therefore, in favor of this system is sufficiently strong, not perhaps to induce you to maintain it under all circumstances, but at least entirely to deprive the noble lord of the right of saying that it is a condemned system. The noble lord and those who go with him argue that the pensions which are to be awarded out of the fund accumulated by the deductions will not in the long run exhaust the whole proceeds of the fund. In the first place, that fact has never been proved, and if it had it would not affect the question. The noble lord quoted these opinions of certain actuaries, and he says that these opinions ought to settle the question; but the noble lord was very glad to fall back upon the royal commissioners as arbitrators when it suited the purposes of his argument. But the royal commissioners do not state that this was a settled fact; on the contrary, in the last page of their report, they treat it as a matter not yet cleared up. The committee of last year did not treat it as a question which was decided. The right honorable gentleman the member for Portsmouth (Sir F. Baring), a great authority, is distinctly and strongly of opinion that the money value acquired in respect of pensions is greater than the money value paid in deductions.

Believing thus, that there was a great weight of expert authority on the side of the system of deductions as against it, and that the matter was not yet settled, Mr. Gladstone opposed the bill chiefly on the ground that what it really proposed was an indiscriminate increase of salaries and that such increase was not justified. Said he:

It is all very well to come down here and say with a chivalrous air that it is beneath the House of Commons to inquire what is the value of labor in the market—that we ought to be above such consideration in fixing the payments of our public servants. That would be all very well if we were dealing with our own private fortunes, but we happen to be dealing with the public taxes. The bulk of these taxes are levied upon the wages of the laborers of England, which are regulated by supply and demand; and if the laborer, whether artisan, mechanic, or peasant, can obtain no more than his labor is worth in open market, what right have we to make deductions from the fruit of his labor, and deliver them to servants of the Crown, according to our own ideas of generosity? There is no doubt that the civil servant gets at least what his labor is worth in the market. Here let me draw a distinction. There is a labor so valuable that you can not pay for

it in money. There are men who devote themselves to the civil service with so much enthusiasm, with such ability, and with such an entire absence of the ordinary motives which a prospect of fame affords, that it is impossible to commend or to pay them too highly. Men of that order we must set aside. You may give them salaries which are liberal according to the estimate of the world, but I grant that such salaries, even in the present liberal humor of Parliament, must fall far short of the value of the services which these persons render. I am not here to discredit the civil service in general. At the same time I must say that, so far as my experience has gone, the civil servants of the Crown are not only not an ill-paid, but are, having reference to their great mass, a well-paid body of servants. Recollect what has happened within the last two years. There is no reason to suppose that the candidates presented for employment in the civil service during that period have been inferior to those presented in previous years; but the establishment of the test of an independent examination has led to the rejection of one-third of them as unfit to enter the civil service of the country. At any rate, there is no doubt that these persons do not enter the civil service by compulsion. After listening to the debates in this House one would really suppose that the ballot, which has been abolished as regards the militia, had been established for the civil service; that every parish, every hundred, was called upon year by year to supply two or three young men for that service against their will; and that the grievance of receiving only £141 per annum, taking tidewaiters and all together, was so great that there would be a market for substitutes, and that large payments would be made to induce persons to relieve the individuals chosen by ballot from this frightful evil. It would be needless to detain the House with a description of what is really the state of the case; but, while the quality of your candidates is improving, and their quantity undiminished, I want to know what will be our justification to the taxpaying constituencies, to the laboring classes of England, if we accede to the representation of the noble lord and pass a bill which, without reference to merit—on the contrary, with a decided preference of the higher classes of officers, to whom we are to make a double payment—will place a certain sum in the pocket of every civil servant.^(a)

Mr. Disraeli made a speech in support of the bill, taking the stand that the principle of abolition of deductions in the salaries of a certain class of public servants had received the sanctions of three great authorities, a Parliamentary committee, Her Majesty's Government, and a royal commission, and should therefore be respected. He stated his agreement with Mr. Gladstone that, considering not only the present state of finances, but the gloomy future in prospect with regard to expenditure, it would be most unwise thoughtlessly to increase the expenditure of the country, but he said that "no one should refuse to perform an act of justice on considerations of mere economy." Mr. Disraeli, in conclusion, expressed his belief that the operation of the measure, if it became a law, would be "virtually to settle this important question."

^a Hansard's Parliamentary Debates, CXLVII, pp. 655-665.

In this debate on the motion for a second reading of the bill, the Chancellor of the Exchequer, Sir G. Cornwallis Lewis, again made an attempt to show the House that hasty action was inadvisable, since it had not yet been proved by competent authority (that is, by the actuaries) that the civil servants had been unjustly treated. Said he:

The committee had a large amount of evidence brought under their consideration, and not being able to make up their minds as to that which I may term the question whether the deductions which had been made from the salaries of the civil servants were or were not greater in value than the pensions to which they would become entitled as an equivalent—resolved to refer the matter to two actuaries, who were to be furnished with the whole evidence, and to report thereupon. The noble lord, the member for Cockermouth (Lord Naas), has indeed quoted the testimony of the actuaries who were examined before the committee, to prove that its members were satisfied with the information which had been laid before them; but I appeal to the recollection of those honorable gentlemen who were members of the committee to corroborate the statement which I have made, that the committee, not being satisfied with the evidence before them, came to a deliberate resolution to refer the question for the report of two actuaries specially selected, who were to be furnished with the evidence for that purpose. I therefore entirely dispute the statement that the Select Committee were satisfied upon the ground of equity and justice. The result of the investigation of the committee was, in my opinion, to leave the question of insurance quite undetermined, and I may add that their labors were brought to a close before the report of the two actuaries to whom the point had been submitted could be received. The claim of the civil service has, nevertheless, been reargued in this House upon the ground of justice * * *. Now, I utterly deny the validity of the claim of the civil servants upon that ground. * * * I maintain that the contract which was entered into with them by act of Parliament is, in its terms, perfectly clear and precise; that every one of them who has taken office since the passing of that act has accepted it upon conditions which were well known; that those conditions have been strictly adhered to by successive governments; and that it is absolutely impossible to prove that even if a fund had been created, any additional benefit to the members of the civil service would be the result.

The Chancellor then went on to show the enormous additional expense to which the country would be liable in case the bill passed and to combat the statement as to the general insufficiency of the salaries paid civil servants. In conclusion, the Chancellor said:

This brings me to the last point which I have now to put before the House, namely, whether they are prepared to agree to the measure proposed by the noble lord, which involves the simple and unconditional abolition of the deductions now made from the pay of the civil service. I have already stated my opinion that the right of the civil service to such a concession can not be established; and in the official position which I hold, I do not feel myself justified in asking the House to be generous with the public money. If the House think fit to perform an act of liberality and generosity, it is no doubt competent for the House so to act; but it

would ill beseeem me, as Chancellor of the Exchequer, to propose any increase in the salaries of the civil service, except upon the ground of justice, or of the insufficiency of the present scale of remuneration. No doubt it is perfectly competent for the House of Commons, if it think fit, in a spirit of gratuitous liberality, to bestow upon the civil servants of the country this annual sum in addition to their existing salaries, and to diffuse the increase rateably over the whole service without any reference to individual merit, or to any augmentation in the amount of work performed. On the other hand, if the House is not disposed to take that step, they may accompany the remission of these abatements by the principle which was adopted by the committee of last session—that is to say, they may call on the Government to make a reduction in the salaries equivalent to the abatements remitted. In that manner either the whole or a considerable part of the deductions to be abolished would be recovered in the shape of a diminution in the regular rate of pay. That, however, is a matter entirely for the House to consider. For my own part, standing in the situation which I have the honor to fill, I see no sufficient ground to justify me in acceding to the proposition of the noble lord.^(a)

VOTE ON THE BILL.

Following the Chancellor's speech, the question was put and a division of the House resulted. The second reading of the bill was carried by a majority of 60 in a house of 282, all the members of the administration voting with the minority.

On July 30 Mr. Seymour Fitzgerald asked the First Lord of the Treasury what course the Government proposed to pursue with reference to the civil service superannuation bill, the second reading of which had been carried the previous day by so large a majority.

To this Viscount Palmerston replied that Her Majesty's Government felt it their duty to state to the House at considerable length the objections they felt to the bill proposed by Lord Naas, considering that the effect of it would be to add a very large sum to the annual expenditure of the country, but the House having in a very full attendance and by a very considerable majority confirmed the second reading of the bill, the Government would not deem it respectful to the House to offer any further opposition to the progress of the measure.

Mr. Gladstone then asked whether it was the intention of the Government to institute any revision of the salaries of persons holding offices in the civil service in connection with the removal of the deductions to which they were liable. In answer to this question, Viscount Palmerston stated that the effect of the bill would be to add $2\frac{1}{2}$ per cent in some cases and 5 per cent in others to those salaries, but the only revision that would naturally arise out of it would be a revision by which the salaries would be diminished in proportion to the alteration made by the bill, and that that would hardly be consistent with the decision of Parliament.

^a Hansard's Parliamentary Debates, CXLVII, pp. 673-682.

When the motion for the third reading of the bill was put, the Chancellor of the Exchequer protested, for the last time, that he was not prepared to bring in a bill before he received the report of the actuaries who had been appointed, and he charged Lord Naas with undue impatience in trying to secure for the public servants "benefits to which in a spirit of good-natured credulity he considered them to be entitled."

Sir John Trelawny then said the reason he had opposed the bill was because he wished to protect the national exchequer. The better plan, he thought, would have been to appoint a committee to inquire into the whole of the civil service.

Mr. Berkeley said he was surprised to hear Lord Naas accused of good-natured credulity. The Government might more justly, he thought, be accused of ill-natured obstinacy. "Nine out of every ten men in cities," said he, "are in favor of the noble lord's bill."

Finally, Mr. Ayrton said he must complain of the undue haste with which the bill had been pressed forward, and the extraordinary zeal which the civil servants had exhibited in soliciting members to support it. "The measure, in short" said he, "is the result of an organized conspiracy on the part of the public servants, is unjust in its provisions, and based on erroneous statements."

The question was then put and the third reading of the bill was carried by a majority of 68. During the same session there were short debates in the House of Lords respecting the report of the royal commission, and it was very evident that the lords were almost unanimously in favor of the abolition of abatements.

TEXT OF THE REPEAL.

The act as finally passed was very short and read as follows:

An act to repeal the twenty-seventh section of the superannuation act, 1834.

Whereas an act was passed in the fourth and fifth years of the reign of his late Majesty, intituled: "An act to alter, amend, and consolidate the laws for regulating the pensions, compensations, and allowances to be made to persons in respect of their having held civil offices in His Majesty's service;" and whereas it is expedient to enforce the provisions of the said act, so far as relates to the abatement to be made under the twenty-seventh section of the said recited act from the salaries of those civil servants of the Crown who have taken office since the 4th day of August, 1829; be it therefore enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the lords, spiritual and temporal, and Commons, in this present Parliament assembled and by the authority of the same, as follows:

1. The said twenty-seventh section of the said recited act shall be, and the same is hereby, repealed from and after the 30th day of June, 1857.

ANALYSIS OF THE VOTE.

It will be seen from a study of these debates in Parliament that, while there was an overwhelming sentiment in favor of the abolition of deductions, the bill which effected it was not passed without encountering the intelligent opposition of some of the most thoughtful men in the House of Commons. These included not only the members of the Government, but such a distinguished member of the Opposition as Mr. Gladstone. Without understanding the technicalities of the superannuation problem any better, in all probability, than did those in favor of the bill, they yet took cognizance of the existence of such technicalities and seemed to feel that it would be only sensible and prudent to await the verdict of the men supposed to understand those technicalities who had been appointed to investigate them before taking action in the matter. They realized that the subject of superannuation bears a close and inseparable relationship to that of salaries and suspected that a just reform in one field could only be achieved through reform in the other. Although urged to remember that the commissioners of 1857 had recommended the abolition of deductions, "without any corresponding reduction in the salaries," they were also not disposed to forget that the parliamentary committee of 1856 had recommended a revision of salaries as the condition on which the deductions should be abolished. Inasmuch as the British public paid the salaries of its civil servants, they saw the importance to the public, as well as to the service, of considering the whole subject thoroughly before enacting any legislation supposed to be remedial.

Those who supported the bill were actuated by motives which were more of a credit to their hearts than to their heads. They saw the "anomalies and inequalities" of the existing law and hoped that by abolishing the system of deductions they could wipe out such objectionable conditions. They realized that such a course might be expensive for the State, but argued that the State, as a model employer, should not hesitate to do right by its employees merely because that action was expensive. The keynote of Lord Naas's argument was the cry that the civil servants labored under "an oppressive grievance" which, taken together with Mr. Berkeley's statement that "nine out of every ten men in cities were in favor of the noble lord's bill," showed that the people of the country supported the bill because they believed that in so doing they were rendering an act of justice. Undoubtedly this high tone appealed to many members of Parliament who failed completely to see that the problem was a technical one and was not to be solved by good intentions and generous resolutions. Then, too, many were weary of the agitation, and therefore inclined to think, like Mr. Disraeli, that

it would be well to abolish the system of deductions, since they hoped by such action “virtually to settle this important question.” How little this hope has been realized is shown by the fact that the discontent of the civil employees with the superannuation system has persisted down to the present year and has only recently been appeased by the passage of a law making such radical modifications in the system as to change the character of it completely from a so-called free pension system to a scheme virtually a contributory plan. Parliament’s generous action in 1859 failed to “settle this important question” simply because the solution offered was unsound and unscientific and ignored certain fixed principles of human nature, as will be shown in subsequent chapters.

SUPERANNUATION ACT OF 1859.

BILL EMBODIED MINOR RECOMMENDATIONS OF SUPERANNUATION COMMISSION.

A bill to embody the minor recommendations of the Superannuation Commission was introduced into Parliament late in the session of 1858 but was not pressed. A similar bill was accordingly introduced on February 7, 1859, by Mr. Benjamin Disraeli, then Chancellor of the Exchequer. In moving for leave to bring in the bill, the Chancellor said that the principal heads of difference between the proposed bill and the existing law were with regard to the duration of services and the time of superannuation. It was intended that superannuation should commence at the termination of ten years, and that the full superannuation allowance should be granted at the end of forty years’ service. Under this bill every person in the civil service, of the age of sixty, would be permitted to receive his full superannuation, and at sixty-five retirement from the public service would be compulsory. The most important provisions of the bill, he said, were those which regulated the new scale of superannuation. One of the greatest defects of the existing system was that superannuation was fixed at the end of a septennial term of service and hence the same benefits were often enjoyed by persons who had really served very different terms. These defects were remedied by the proposed bill, superannuation being calculated by the yearly services of the public servants. The bill contained provisions regulating the superannuation to which professional men who entered the public service comparatively late in life should be entitled. It also provided for the abolition of offices and other matters of an analogous character, which hitherto had not been satisfactorily settled; or if so, were arranged rather by the discretion of the Treasury than by the sanction of the law.

At the conclusion of the Chancellor's remarks, Mr. Wilson said he did not rise to oppose the introduction of the bill, but he wished to remind the House that when Lord Naas had brought in a bill for the abolition of deductions two years before, he (Mr. Wilson) had called attention to one of the consequences which would follow from it—that its effects would be to do away with all distinctions between the public servants in regard to superannuation. Under the Act of 1834, no persons in the civil service had any legal claim to superannuation allowances, except they had submitted to the abatements provided for under that act, but if the enactment creating abatements was repealed, allowances could not be denied to any person in the public service. Having, however, been induced to take that step, Mr. Wilson held that it now only remained for the House “to do justice, and to allow the superannuation allowance to bear the same proportion to the salary, whether great or small, of every man in the public service.”

Mr. Rich, who had made a strong speech two years before, in opposition to the bill abolishing the abatement system, allowed himself the satisfaction, on this occasion, of saying politely: “I told you so.” He reminded the House that when the bill of Lord Naas was debated, it had been said that this was not merely a question of abatement, but that the House would be “pestered” by every public servant for a pension. He said that they saw the beginning of that state of things now, for every public servant was claiming superannuation. He would throw out, for the consideration of the Chancellor of the Exchequer, that superannuation allowances represented a capital of £3,000,000 (\$14,599,500). As the Government were changing their opinions on other points perhaps they would reinstate the abatement clause, which would furnish them with an answer to everyone asking for a pension.

On the motion for the second reading of the bill, Sir H. Willoughby, who had previously declared himself to be “one of those who took a fearful view of the increasing charge for superannuation allowances,” declared his belief that the bill “would throw an enormous burden upon the country.” He said that:

The Government ought to inform the House what that superannuation would cost the country. In the shape of compensation and superannuation the country was at this moment paying £1,400,000 (\$6,813,100), and if the whole civil service of the country was to be entitled to superannuation he would ask where was it to end? Although the tax, which amounted to £70,000 (\$340,655), had been abolished, there was nevertheless a new scale and state of things established. He objected to the form of the bill, and to that bit-by-bit legislation it proposed, for in dealing with the question of superannuation they ought to deal with it as a whole.^(a)

^aHansard's Parliamentary Debates. 3rd series. Vol. CLII, p. 592.

BILL INTRODUCED AND DEFENDED BY THE GOVERNMENT.

Sir Stafford Northcote, then Secretary for the Treasury, next defended the bill as a Government measure, saying that it was "the wish of the Government that the bill should accomplish that which it was principally intended to accomplish, namely, the putting all classes of the civil service on one uniform footing, as well as putting an end to these anomalies that had at present, and for a long time, existed in the system of superannuation." He also reminded the House very justly that, with regard to the additional expense which this bill would throw upon the country by taking off abatements, the Government had to consider not what were the recommendations of the select committee or the royal commission, but what was the act of that House. He said that:

This question should not be looked upon as a mere question of pounds, shillings, and pence, as the honorable Baronet had put it. For what was the object of the superannuation system? Its object was to get good men for the civil service at moderate prices, to keep them as long as their services were valuable to the country, and to provide for their retirement when their services were not sufficiently valuable to the country. If that system were to be continued it must be clear, intelligible, and uniform, because if you had a system by which people, when appointed were uncertain as to whether they would receive superannuation, you could not, on the one hand, when you engaged them, get the benefit of the system by engaging them at moderate salaries, nor could you, on the other, from considerations of humanity, dispense with their services just at the time when they began to be of less value to the country than when they were engaged. The last great settlement of the superannuation question was in 1834, but in that settlement there were several blemishes. One was that the superannuation was confined to a certain number of offices named in a schedule to the act. A great number of offices, however, had grown up since the Act of 1834, which did not come within the scope of its provisions. The persons holding those offices were not subject to abatements, but they got pensions, though on a very irregular and unsatisfactory system. For instance, the officers of the Poor-Law Board, and some others, were paid off, not on any established system, but in an irregular manner. One of the objects of this bill was to put an end to the scheduling of offices, and to make the superannuation apply to the whole civil service. With regard to the additional expense consequent upon introducing all those other classes of persons, he thought the honorable Baronet formed an exaggerated opinion of it. Although it was perfectly true there was a large number of persons interested in the passing of this bill, it was to a great extent because they desired certainty and something like a fixed system that they were so interested. The great class who would probably be brought within the superannuation provision, in addition to those who were now included, would be persons employed in country Post-Offices. He could not at that moment give an exact estimate of the number of that class of

persons; but the Postmaster General and the authorities in the Post Office had represented that the department suffered seriously by not having a proper system of superannuation and retirement, and by not being able to get rid of persons who were past service. The measure, therefore, if the House looked at it in a broad light, was one for the improvement of the civil service generally, and he believed it to be one of true economy. It was one of a series of measures which the present and the late Government had been taking for some time past for improving generally, and so economizing the civil service.^(a)

On March 18 Sir Stafford Northcote moved that the House resolve itself into a committee on the bill, and in making the motion continued his defense of the bill. In this speech he laid emphasis on the desire of the Government to treat all members of the civil service uniformly and equitably, something that had never been accomplished under the Act of 1834. He said the bill would apply only to persons who were permanently employed in the service in such capacities as rendered it necessary for them to give up all other business and devote themselves wholly to the service of the State, thus excluding country postmasters who were also the keepers of shops. Another condition necessary to entitle persons to such allowances was that they should be paid out of Imperial funds; and therefore all persons paid out of county rates—such as prison, workhouse, and other poor law officers—would be excluded from the benefit of the act. Neither would the bill apply to persons who were paid by fees. Such persons were not entitled to superannuation, because the principle upon which that system rested was that in fixing a man's remuneration how much he ought to have by way of salary was considered and how much by way of retiring allowance; and the difficulty with regard to persons paid by fees was that, although they were employed in the service of the State and were to a considerable extent under its control, they generally held their offices partly at the will of other persons and might be dismissed by them.

Discussing the important subject as to what increase of expense would be caused by the provisions of this bill Sir Stafford lamented that "that must be so much a matter of conjecture that he felt it quite impossible to make any satisfactory statement with regard to it." He said that there were three ways in which the expense of superannuations would be affected by the passing of the bill. In the first place there was the adoption of the new scale. The existing scale was what was called a "jumping" one; it went by periods of seven years. That provided by the proposed bill was a "sliding" scale, advancing year by year by sixtieths. It stopped at the same maximum as the existing scale, namely two-thirds, or forty-sixtieths of the salary; but under it a man would arrive somewhat earlier at his maximum allowance than he did at present. The scale was,

^a Hansard's Parliamentary Debates, CLII, pp. 592-595.

however, so arranged that while it gave an advantage to those who had served long periods, it diminished the allowances of those who had been engaged in the service of the State for shorter ones. In order, therefore, to determine how much the expense of superannuations would be increased by the bill, it was necessary to calculate after what periods of service civil servants were likely to retire. Another way in which the bill might add to the expense of superannuation, Sir Stafford said, was by bringing new classes of officers under the provisions of the act. There again, however, he found it exceedingly difficult to come to any kind of conclusion. Upon being asked what classes and what number of officers would be brought under the bill, the different departments replied by inquiring to what classes the bill was intended to apply, and a difficulty arose as to who were and who were not to be included under the term "permanent civil servants of the State." A third way in which the bill would to some small extent add to the expense, Sir Stafford said, was by adding to the number of civil servants entitled to superannuation. One of the clauses gave permission to officers to retire at the age of 60, and another made it compulsory so to retire at the age of 65, unless they were specially asked to stay as being efficient servants. Upon inquiring at the different departments what number of officers would be required to resign on account of age he was met by the same kind of counterquestion instead of answer—namely, what classes of persons were intended to come under the provisions of the bill. The result of all their inquiries had convinced the Government of the necessity of limiting the operation of the bill and of laying down some more stringent rule than was afforded by the words "permanent civil service of the state." He therefore intended to move the insertion of a clause, stating who were to be deemed civil servants. No person was to be deemed a civil servant unless he either held his appointment directly from the Crown or was admitted with a certificate from the Civil Service Commissioners. He said that:

The question of obtaining a certificate from the commissioners was distinct from, though connected in some degree with, that of open competition, because the system was applicable to all kinds of admissions, and included not only literary, but what were equally important, medical examinations. He believed, for his own part, that by adopting a system which seemed calculated not only to procure able and efficient officers, but to ensure them fair and equitable treatment, the House would do much to allay the present uncomfortable and excited state of the civil servants and to permanently improve the condition of the civil service itself; and although his statement with respect to the possible expense of the proposed scale of superannuation might appear unsatisfactory to some honorable members, he would entreat the House to look at this subject in a broader point of view. What the country really wanted was not to save so many pounds, shillings, and pence in the superannuation of

its civil servants, but an adequate supply of good, cheerful, and willing servants, and the adoption of measures which would enable those in its employment to retire at the proper time without a feeling of hardship.^(a)

DEBATE ON THE BILL.

As soon as Sir Stafford had taken his seat, Sir Henry Willoughby renewed his previously expressed objection to the bill, “an objection grounded upon the total ignorance in which the House was as to the increase of expense the bill would cause.” He said that—

This speech of the honorable baronet, clear as it was in other respects, was rather obscure as to the question of what would be the additional expense that would fall on the public by the passing of this bill, and this was a very serious question. The amount paid already yearly for pensions and superannuations was enormous—it amounted to a million and a half. As an approximation toward it, he would take the civil-service salaries at £5,339,000 (\$25,982,243), and he inferred that the charge with regard to that sum imposed by the bill would be £1,122,000 (\$5,460,213) for superannuations. Add to that the £74,000 (\$360,121) lost by abolishing the deductions from the salaries and the compensations consequent on the abolition of the ecclesiastical courts, and other compensations amounting toward £1,500,000 (\$7,299,750). The select committee who sat on this question had recommended the repeal of such portions of existing acts as provided for reductions from the salaries of the civil servants to form the superannuation fund, but they also recommended a revision of the salaries. The point he desired to impress on the House was this: Let the civil servants have the benefit of it, but let the House not increase the scale of superannuation. His object was to do justice to the civil service and certainly at the same time to the taxpayers. He said, therefore, by all means give them the advantage of a repeal of the tax, but adhere to the scale of 1834. He did not mean to argue for the infallibility of that scale, and if the jump every seven years were unwise, let it be altered. Let them not, however, increase the scale of superannuation.^(b)

Mr. Gladstone next took up the debate, saying that he did not propose to enter at any length into a discussion of the bill, but he thought that his honorable friend, the Secretary for the Treasury, had made a large demand on the House when, as financial secretary, he exhorted them to take a broad view in this matter, and to enact a system of pensions on a new basis, without knowing what classes were to be included within the provisions of the measure, and without being aware of the extent of the burden about to be added to the already heavy burdens on the public finances. He further warned his hearers that this was a subject upon which it was eminently necessary the House should have full knowledge of that which they were about to do, because they were not enacting to-day that which would take effect to-morrow, and of which to-morrow would

^a Hansard's Parliamentary Debates, Vol. CLIII, p. 360.

^b Idem, pp. 362-363.

give experience for correction the day after. They were enacting now that which would not take full effect for the next forty or fifty years, and they were now entering into a new set of engagements, every one of which, even if it reached over half a century or more, must be kept absolutely sacred, however onerous might be the consequences. Mr. Gladstone next protested that the passage of the bill abolishing deductions had been accomplished on the understanding that salaries were later to be reduced correspondingly, but instead of doing that the Government was now proposing to still further augment salaries "entirely irrespective of the particular merits, duties, or features of the different cases." He said that—

When this question was examined and it was first decided by a committee of that House that it was desirable to remit the deductions which had been levied under act of Parliament from the salaries of the civil servants, the committee recommended that the salaries of civil servants should undergo a revision generally corresponding to the deductions, and only a few years previously the House had been almost upon the point of adopting a vote for a general diminution of the salaries of civil servants, entirely irrespective of any relief they were to receive by a revision of these deductions, but the deductions having been remitted the revision of salaries appeared to have been forgotten. He did not make any charge against anyone, and he was perhaps wrong in saying it had been forgotten, for he hoped it was still intended to carry that process into effect. But it might be said that the civil servants were very insufficiently and illiberally paid. But his honorable friend had said that at this very hour, when the House was determining to remit these deductions, the Civil Service Commission were showing by the result of their examinations that the system of admission to the civil service had been extremely lax, and that no inconsiderable number of persons had been allowed to hold offices and to receive salaries for the discharge of duties to which they were incompetent. Upon that ground, therefore, as well as upon others, he submitted that there was no case of injustice on the part of the civil service as a body. It could not be alleged, with the slightest color of truth, that that service as a body was underpaid. Everything that the public had contracted to do for them had been rigorously and faithfully performed, and he asked, therefore, whether it was just to the people of England that wholesale, without the slightest respect either to the merits of individuals or classes, or to the relations between the salary and the duty to be discharged, the House should proceed to remit the form of deductions and to add in that manner to the public burdens, while at the same time it entirely ignored the corresponding recommendation of its committee that with reference to this deduction a revision of the salaries should take place? He hoped to hear from the Government, first, some declaration as to the manner in which it was intended to proceed with regard to the classes of persons who ought to be included within the provisions of the act; secondly, some promise that before the bill was read a third time an estimate should be framed of the addition which was likely to accrue to the public expenditure; and, thirdly, a statement whether it was intended that the remission of the reduction should be followed by a reconsideration

of the rates of salary, or whether, on the other hand, it was meant that that remission of deductions should stand as a simple, sweeping, wholesale augmentation of the salaries of the civil service, entirely irrespective of the particular merits, duties, or features of the different cases.^(a)

Mr. Wilson then told the House that, two years before, when it had been his duty to bring to the consideration of the House an estimate of what the results of a fair superannuation measure would be, he had stated that the ultimate additional cost that would be entailed upon the country by the proposed measure would be about £100,000 (\$486,650) for the remission of abatements, and another £100,000 for the creation of additional pensions. He did not understand that the present bill proposed any additional scale for superannuation. The result of the bill would be merely to give effect to the practice which had prevailed, in awarding pensions under former acts, of apportioning the pensions to the exact number of years of service. His advice to the House was to settle the question "upon a broad principle, which everyone could understand, and which would be just to all." He believed that the best way to promote content would be to establish uniformity, and he did not believe that the operation of the bill would add more than 12 or 13 per cent on that which was now paid, or increase the charge more than £100,000 (\$486,650).

Sir Francis Baring said that he had opposed the motion of Lord Naas for getting rid of the old system of making deductions from the salaries of public servants, and he did his best to persuade the House that it would be unwise and most expensive to adopt that step. The House, however, contrary to the opinion of the Government of the day and the committee, was pleased to get rid of the system. The only question, then, was how much they had to pay. By the old scale a discretion was allowed to the Treasury within certain limits to give the good servants a larger, and the indifferent servant a smaller superannuation. By the present system that discretion was a good deal removed, and upon the whole he preferred the new plan to the old. He entreated the House most earnestly to settle the question, saying that whatever it did, it could not do worse than leave the matter unsettled. It had only two courses open to it, either to revert to the old system or go on. It could not revert to the old system, and so its only course was to go on "even though it might have to pay somewhat dearly for its whistle."

Sir George Lewis said he was ready to accept the consequences of the decision that the abatements should be abolished, and that the distinction which the payment of those abatements previously made between the class of public servants entitled to superannuation allowances by reason of their being subject to such abatements and the

^aHansard's Parliamentary Debates, Vol. CLIII, pp. 366-367.

class of officers not entitled to superannuation allowances by reason of not being subject to such deductions should be done away with. But he was not prepared to go beyond that principle. He could see no reason for an increase in the scale of superannuations.

The Chancellor of the Exchequer closed the debate. He contended that the increase in cost of superannuations under the bill would be slight and due to no increase in salaries but to the fact that the scale had been framed to obtain the annual progression which was considered desirable. He said that in urging the bill the Government had established a principle which would guide it in the management of all cases, namely, that those who received the privilege of superannuation shall pass under the examination of the Civil Service Commission. He then answered Mr. Gladstone as follows:

The right honorable member for the University of Oxford (Mr. Gladstone) has said that before this discussion terminates he expects from the Government information on three points—first, the class of persons whom we propose to bring under this act; secondly, whether we intend to revise the public salaries; and thirdly, he wishes to have an estimate of what will be the increase of charge if this bill passes. With regard to the first point—the class of persons who will come under this act—I will say at once that all those who are included in the original schedule of the existing act, all added since, such as Poor Law Commissioners and others, and all those who have become entitled to be added, will come under the provisions of this act, also those classes mentioned in this debate—namely, those employed in the dockyards and the Post-Office. As to the second point, whether it is the intention of Government to institute a revision of the salaries, I would beg to refer to the opinion given on that subject by the royal commissioners. The royal commissioners were of opinion that such revision would be impracticable, and they gave their reason for their conclusions. Our opinion agrees with that of the royal commissioners, and we do not think that it is expedient, taking a general view of all the circumstances connected with the question, that a general revision of the salaries should take place. I need hardly touch upon the third point, the increase of the amount of charge if the bill passes—because the honorable member for Devonport (Mr. Wilson) has given his opinion to the House, an opinion founded on experience, and entitled to be regarded as of authority on this point. I would say that I believe the estimate of the honorable gentlemen is well founded; but I believe the expenditure would be rather under that figure than not. And if that is the case, can the House hesitate to pass a bill of this kind, which I think is founded on principles of policy and justice, which has been recommended, and fairly recommended, by the public, and which after a long discussion appears to receive the approbation of the House.^(a)

On the third reading of the bill, there was no debate, but Sir Henry Willoughby asked the Government for an estimate of the expense which its provisions would entail on the country.

^aHansard's Parliamentary Debates, Vol. CLIII, pp. 374–375.

Sir Stafford Northcote stated in reply that the increase of expenditure consequent upon the passing of the bill might possibly be £70,000 (\$340,655) a year at the utmost, taking into account the additions to be made by taking in a new class of officers, and the possible effect of an alteration in the scale.

Sir Denham Norreys thereupon said he considered this was one of the most improper and uncalled-for bills the House had ever passed. It was founded on a promise of a revision of salaries, but that revision had never been and probably never would be carried out; and yet the bill would inflict a burden of £70,000 (\$340,655) upon the country.

Mr. Drummond also said the bill was a most improper one, both in principle and detail. If it were just in principle, which he denied, every banker and merchant ought to provide superannuation allowances for his clerks and every private person for his servants.

Mr. Weguelin said that, as one of the commissioners who had originally investigated this subject, he was desirous of expressing his belief that the bill contained the only practical conclusion that could be come to upon it. The revision of salaries referred to could only be prospective, as it was almost impossible to reduce the salaries of existing officers. The bill might throw an additional charge upon the revenue for the present, but ultimately it would result in a saving to the country.

The bill was then read for the third time in the House of Commons and passed. Unfortunately, the most valuable recommendation of the Superannuation Commissioners, the recommendation to render retirement compulsory at the age of sixty-five, did not meet with the approval of the House and that provision was expunged from the act in committee. Undoubtedly the effort of the Government to obtain uniformity in the treatment of all civil servants was praiseworthy, and to that extent the Act of 1859 was an improvement over the Act of 1834.

MAIN FEATURES OF THE ACT.

The chief recommendations of the Civil-Service Superannuation Commission of 1857 were accordingly embodied in the superannuation act which became a law April 19, 1859. The act practically repealed the Act of 1834, only two provisions of that law being operative since then. Those are Section XII, which regulates the salary upon which a pension is to be calculated as the average for three years preceding retirement, and Section XX, which provides that the total receipts for pension and salary combined of an employee recalled to the service after retirement shall not exceed the amount of his former salary.^(a)

^a See Sections XII and XX, Act of 1834. Appendix I.

Under the Act of 1859 it became necessary in order to qualify for a pension—

(1) That a civil servant should have been admitted to the service with a certificate, unless appointed directly by the Crown or placed under the professional section of the act.

(2) That he should have given his whole time to the public service.

(3) That he should draw the emoluments of his office from public funds exclusively.

(4) That he should be certified to have served with diligence and fidelity to the head of his department, else the full amount of pension may not be awarded.

(5) That he should have served for not less than ten years, unless in the case of abolition of office.

(6) That if under the age of 60 he should be certified to be permanently incapable, from infirmity of body or mind, of discharging his official duties, or his place must have been abolished.

On qualification for retirement under the six general conditions explained above a civil servant became entitled to a pension calculated at one-sixtieth of his retiring salary for each year of service, subject to a maximum of forty-sixtieths. The pension was calculated upon the average of his emoluments during the last three years.

A free and universal pension for all members of the permanent civil service having been inaugurated by the Act of 1859, it would seem that all those who had the good fortune to be among those thus “established” might have been satisfied. Such, however, was not the case. Mutterings of discontent soon began to be heard. On the one hand were heard the criticisms of the public generally as to the growing cost of the system, and on the other hand the complaint of the beneficiaries that the system made no provision for the dependents of civil servants and that various bodies of employees not classified as members of the permanent service were excluded from the benefits of the act.

SELECT COMMITTEE OF 1873.

In 1873 a select committee was appointed by Parliament to inquire whether any reductions could be effected in the expenditure for civil services. The system of pensions or superannuation received some attention from this committee. The witnesses examined, who were high officials of State, testified without exception to the public value of a superannuation system as increasing both efficiency and economy in the service. The opinion of any two or three of them may be taken as representative of all. Sir Thomas Fremantle, who was chairman of the Board of Customs at the time, and

who had previously been Secretary for Ireland, Secretary at War, and twice Secretary to the Treasury, so that he had had a very large official experience for many years, was asked if he was satisfied that every member of the civil service should be pensioned.

"Indeed I am," he answered, "I should be very sorry to interfere with the scheme of superannuation.

"For the work of the establishments?" queried the chairman.

"For those who are on the permanent establishment."

"You do not think that the country would get as good service unless that prospect of pension was held?"

"I think not, and in one respect the country would get very much worse service, because in the case of an officer who is nearly worn out and unable to do his work in a satisfactory manner, it is really essential for the transaction of the business of the establishment that that man should be removed; and if we are able to say 'you are entitled to superannuation,' we can put pressure upon him and get rid of him, but if he had no superannuation it would be practically impossible to remove a man."(^a)

VALUE TO THE PUBLIC SERVICE OF A SUPERANNUATION SYSTEM.

Sir William Henry Stephenson, chairman of the Board of Inland Revenue, who had formerly been for many years in the Treasury and had had great experience in the organization of the public service generally, and of inland revenue service in particular, said:

"I think there is a great advantage in superannuation as regards permanent officers; it is a great hold upon them.

"Even down to messengers and persons who are engaged on weekly wages?" asked the chairman.

"Yes, I think it is quite as important with them. It is an immense power that you have over a man's disposition to behave himself well."(^b)

The Chancellor of the Exchequer declared himself with especial emphasis in favor of the pension.

"I think that superannuation is a very good institution indeed," said he. "We get men young; we teach them their business; we shall get them I think with a fair prospect of having men of good intelligence; and by practicing their business, they learn it until they become very valuable, and worth indeed a great deal more than the salaries in the public service, which are not very high. By superannuation we contrive to retain them in the service, whereas, if we had not superannuation, we should always have to be teaching and bringing up persons who would be going off and carrying their attainments to a higher market. I think that superannuation is a very good institution, and an economical one."(^c)

^a Third Report on Civil Services Expenditure. 1873. Minutes of evidence, p. 203.

^b Idem, p. 209.

^c Idem, p. 230.

COMPULSORY RETIREMENT AT A GIVEN AGE ADVISABLE.

While agreeing that a superannuation system was desirable, the witnesses were not by any means convinced that the scheme established by the Act of 1859 was beyond criticism. One weakness of the system was felt by all. This was the failure of the law to make retirement compulsory at some given age. Mr. Robert G. W. Herbert, the permanent Under Secretary of the Colonial Office who had previously been with the Board of Trade and with the Railway Department and had therefore had a variety of experience of official and departmental organization, was asked if he did not observe a tendency of persons to hang onto their offices long after they had become inefficient.

"Yes," said he, "there is that tendency. There is no legal means of requiring a man to leave. The English superannuation act does not exact that at a certain age a person shall retire; it is merely by what I suppose I may call a friendly arrangement that he goes whenever it is found necessary for him to go. I think the superannuation act ought to contain a proviso that at a certain age, either 60 or whatever other age might be thought expedient, a clerk should be compelled to leave the service, unless he were asked to remain for a particular time, say two or three years longer, by the head of his department, on special grounds, I think that retirement should, as a general rule, be compulsory at a certain age."^(a)

Asked if he would wish to have the power of compulsory superannuation, Sir William H. Stephenson said,

I should be very glad to see it, and I think it would be a very useful power both to the public and very often to the individual himself. * * * I have seen many instances in my own knowledge, both recently and in former times, of men far overstaying their energies.^(b)

Mr. Reginald Earle Welby, principal clerk for financial business of the Treasury, was asked if he did not think that, in the interests of economy, superannuation might be withheld from certain classes of civil employees, and answered:^(c)

"I am always afraid of sweeping away the right to pension, because I feel convinced that it will mean keeping men in the service after they have ceased to be efficient; I feel that so strongly that I think, if I may venture to say so, that retirement throughout the service ought to be compulsory at the age of sixty-five.

"It is compulsory as against the Government at the age of sixty, is it not? asked the chairman.

"Yes, but there is no limit as against the officeholder.

"There is no reciprocity, is there?

"There is no reciprocity."

^a Third Report on Civil Service Expenditure. 1873. Minutes of evidence, p. 166.

^b Idem, p. 209.

^c Idem, p. 7.

COST OF MAINTAINING FREE PENSION SYSTEM.

The question of expense in connection with the maintenance of civil pensions was recognized to be of first importance. Mr. Welby handed in the following estimate of the sum required for the current year (1873-74) to pay salaries and superannuation to all civil servants. This included not merely those employed in the civil service proper but also civilian employees of the Army, Navy, Judiciary, and Revenue departments, and showed that the total charge for "non-effective civil services" was estimated to be £1,829,931 (\$8,905,359.21). Noting this fact, the chairman of the committee asked Mr. Welby if that expenditure was tending to diminish or to increase.

"The superannuation proper is tending to increase in one direction and to decrease in another," said he, "It increases, of course, as fresh departments are formed as part of the civil service; it has a tendency to decrease as the number of established officers entitled to pension is diminished. For instance, if a department which had had fifty clerks on the establishment is reduced to thirty clerks on the establishment, the tendency of course will be a diminution of the pension list; in addition to that we are still under the effect of the superannuation regulations before 1829, which were on a much more liberal scale than those which are now accorded to the civil service, but the pensions granted previous to 1829 are of course falling off rapidly now, and the pensions now granted are upon the lower scale, therefore there are those three different influences at work."(*a*)

The estimate furnished by Mr. Welby was as follows: (*b*)

ESTIMATE (APPROXIMATE) OF THE AMOUNT TO BE PAID IN SALARIES AND ALLOWANCES IN RESPECT OF EFFECTIVE AND NONEFFECTIVE CIVIL SERVICES OF THE ARMY, NAVY, CIVIL, AND REVENUE DEPARTMENTS DURING 1873-4.

[Only those salaries are included which will carry with them a claim to pension.]

	Charged on votes.			Charged on Consolidated Fund.			Total.
	Ordinary services.	Political services.	Total.	Ordinary services.	Political services.	Total.	
Army:							
Effective c.....	\$1, 233, 521	\$46, 232	\$1, 279, 753				\$1, 279, 753
Noneffective.....	834, 507		834, 507				834, 507
Navy:							
Effective.....	3, 883, 419	31, 632	3, 915, 051				3, 915, 051
Noneffective.....	1, 423, 919		1, 423, 919		\$10, 706	\$10, 706	1, 434, 625
Civil service:							
Effective.....	6, 082, 629	277, 025	6, 359, 654	\$50, 952	97, 330	148, 282	6, 507, 936
Noneffective.....	1, 209, 939		1, 209, 939	91, 081	d 159, 018	d 250, 099	d 1, 460, 038
Criminal and judicial:							
Law and justice—							
Effective.....	5, 136, 912	55, 838	5, 192, 750	2, 458, 444		2, 458, 444	7, 651, 194
Noneffective.....	1, 033, 601		1, 033, 601	1, 055, 870		1, 055, 870	2, 089, 471
Police—							
Effective.....	3, 913, 673		3, 913, 673				3, 913, 673
Noneffective.....	737, 946		737, 946				737, 946
Collection of revenue:							
Effective c.....	14, 792, 325		14, 792, 325				14, 792, 325
Noneffective.....	2, 348, 772		2, 348, 772				2, 348, 772
Total:							
Effective.....	35, 042, 479	410, 727	35, 453, 206	2, 509, 396	97, 330	2, 606, 726	38, 059, 932
Noneffective.....	7, 588, 684		7, 588, 684	1, 146, 951	169, 724	1, 316, 675	8, 905, 359

a Third Report on Civil Service Expenditure. 1873. Minutes of evidence, p. 7.
b Idem, Appendix No. 10, p. 406.
c In the military and postal departments a large amount is paid in salaries, the recipients of which will not, in all cases, receive superannuation. As each case will be decided by itself on no general rule, they have not been included in this return.
d Includes £11,380 (\$55,381) hereditary pensions.

PENSION CHARGE REDUCED BY REDUCING NUMBER OF PENSIONABLE CLERKS.

A very interesting fact in connection with the efforts made by the Treasury to reduce the cost of superannuation was brought out by Mr. Welby's testimony. This was the policy of the Treasury to substitute as far as possible those persons outside the permanent civil service for permanent officers entitled to superannuation. The result was a small number of classes of established clerks and a considerable number of subordinates. Mr. Welby was asked:

Is it your opinion that the tendency which you have explained at the Treasury to substitute nonestablished for established employees will ultimately produce a considerable reduction in the charge for superannuation? ^(a)

To this he answered:

I should think so; I will take, as an instance, the result of the enquiries during a period of years into the Customs; I think the result of that has been to reduce something like 650 established clerks to a little over 400, and, of course, the future charge for superannuation will be reduced in that proportion. ^(a)

This avowed policy of the Treasury threw into bold relief the most obvious objection to a straight pension; that is, the great expense and the difficulty of keeping a civil pension list within bounds. The method resorted to by the Treasury may have been effective, but the question naturally arises, Did it not result in the defeat of the system and the revival of that invidious distinction between different classes of employees complained of at the time of the passage of the Superannuation Act of 1859?

DEVELOPMENT OF IDEA THAT PENSION IS A SUBSTITUTE FOR SALARY.

Through all these hearings before the Select Committee of 1873 runs an idea destined in later years to develop into more definiteness. This is the idea that superannuation allowances are a substitute for greater salaries. It was generally held that from the Government's point of view it is wiser to grant pensions and give less pay than to pay higher salaries and give no pensions.

Mr. Thomas Henry Farrer, permanent head of the Board of Trade, who had been in the public service for twenty-three years, said:

I used to be of opinion that it would be a better plan to pay higher salaries and give no pension; but seeing the extreme difficulty of ever getting rid of an old public servant, however useless, without a pension, I have changed my opinion, and I think that there must be pensions for the upper part of the establishment. ^(b)

^a Third Report on Civil Service Expenditure. 1873. Minutes of evidence, p. 7.

^b *Idem*, p. 190.

Sir William H. Stephenson was asked if he did not think that a civil servant engaged for a limited period, after which he was to be compulsorily retired, with no provision for a superannuation allowance, might not be naturally expected to make arrangements out of his salary on his own account. His answer was:

Yes; but then I fall back upon the question of economy. I think that if you introduce that system, you would find yourself drifting into a higher payment of salaries.

Of the same opinion was the Hon. Adolphus Liddell, Under Secretary of State for the Home Department. Said he:

I am not very good at figures or finance, but it does seem to me, as an ordinary being, that if you give a man an extra salary to enable him to insure, you do the same thing by giving him that extra salary as by giving him a superannuation allowance with a somewhat less salary.

"On the whole, you would rather have things as they are?" he was asked.

I would. I think you would by that means insure a more satisfied and more permanent servant.^(a)

The gentlemen who appeared before the Select Committee were questioned in passing as to their views of a system of deductions from salaries as a substitute for the expensive pension system in vogue. While most of them showed familiarity with the provisions of the Act of 1834, under which the old contributory system of superannuation was carried on, and appreciated its avoidable faults and the reasons for public discontent under that system, they seemed to think that the heartburnings of that period had been such as to make it unwise to revive the principle of deductions from salaries as a mode of paying pensions and compensations. "The action of Parliament in the matter," said Mr. Welby, * * * "was looked upon as closing the chapter."

RECOMMENDATION OF THE COMMITTEE.

As a result of these hearings the committee included in its third report a recommendation for the compulsory retirement of officers at a given age. The paragraph relating to the subject was as follows:

With respect to superannuation, what your committee have already stated will indicate the doubt they feel as to the practicability of excluding any considerable body of the clerical establishments from its benefits. The advantages of the system, as retaining in the service trained officers, as protecting the public from combinations, and as a means of enforcing discipline, are obvious. On the other hand, the aggregate charge on the exchequer for superannuations and pensions is increasing; and your committee fear that the extent to which it is likely to grow may produce an effect on the public mind

^a Third Report on Civil Service Expenditure. 1873. Minutes of evidence, p. 212.

unfavorable to the whole system. Whether, however, it should or it should not be thought desirable to limit for the future the numbers entitled to the benefits of the superannuation act, your committee recommend that powers should be sought from Parliament for compelling the retirement of officers at a given age (say 65), if in the opinion of the head of the department such retirement would be for the public benefit.^(a)

Great as was the need of fixing compulsory retirement at some given age, it was years before the recommendation of the Select Committee of 1873 was acted upon. The same recommendation is found fifteen years later among the recommendations of the Ridley Commission in its second report, printed in 1888, but it was not until the issue of the order in council dated November 29, 1898, that retirement from the civil service was made compulsory at the age of 65.

PLAYFAIR COMMISSION, 1874.

In 1874, the year following the parliamentary inquiry into civil service expenditures just noted, a commission was appointed by Treasury minute to inquire into the following subject connected with admission to and service in the civil departments of the State:^(b)

1. The method of selecting civil servants in the first instance.
2. The principles upon which men should be transferred from office to office, especially in cases when one establishment has been abolished or reduced in number, and when there are, consequently, redundant employees, whose services should, if possible, be made available in other departments.
3. The possibility of grading the civil service as a whole, so as to obviate the inconveniences which result from the difference of pay in different departments.
4. The system under which it is desirable to employ writers or other persons for the discharge of duties of less importance than those usually assigned to established clerks, or duties of a purely temporary character.

OPTIONAL RETIREMENT AFTER TWENTY YEARS' SERVICE PROPOSED AND REJECTED.

The work of this commission resulted in the adoption of a scheme of reorganization for the civil establishments. The subject of superannuation had not been referred directly to the Playfair Commissioners, but they stated in their first report that it had been "forced on their attention." The chief obstacle to the establishment of their scheme of organization was the presence of large numbers of old men in the offices who had not died out nor been compulsorily retired. The only proposal relating to superannuation with which they

^a Third Report on Civil Service Expenditure. 1873. Minutes of evidence, p. v.

^b Twenty-fourth Report of the Civil Service Commissioners. 1879. Appendix IX, p. 568.

dealt, however, was one that the State should give an option of retirement with superannuation allowance after twenty years' service, with a view principally of quickening promotions. This they did not recommend. Said they:

It has been urged that it would be economical for the State to give an option of retirement with superannuation allowance after twenty years' service; various witnesses support this proposal, chiefly on the ground that it might quicken promotion. No doubt there is considerable force in this view if the present division into classes continues; but it has little weight if a service scale such as we have proposed be adopted. In that case the question will be simply whether a man with twenty years of service has an equitable right to a pension of $20/60$ ths of his existing salary, just as a man at the age of 60 has to $x/60$ ths, according to the number of years of his service. We do not see any abstract justice in the proposal. The increments upon the original salary have only the justification of the increased value to the State acquired by the official experience of the clerk. But if he leave the public service in the prime of life with a pension calculated upon this augmented salary, the State will derive little or no advantage for the increments which represent maturity in work; on this ground we have not deemed it right to support the proposal. Another consideration has also weighed with us. If it were fair that a clerk should have an option of resigning after twenty years' service, with superannuation, on the ground that the service did not suit him, it would be necessary, in justice for the State to exercise the power which it now possesses in theory, but rarely exercises, of dismissing a clerk after twenty years when he did not suit the service. But this would place the clerks in a worse position than they are at present, for they are now entitled after a service of twenty years to count ten years in addition to their service when they are compelled to retire on abolition of office. There is a further consideration, viz, that the adoption of this principle would have the effect of weakening the tie which now binds a man to the service, and of inducing him to look outside that service for his prospects of advancement. On the whole, therefore, we do not see any advantage, either to the State or to the clerks, in the proposal made to us.^(a)

SELECT COMMITTEE OF 1885.

COMMITTEE'S RECOMMENDATION OF A CONTRIBUTORY PENSION SCHEME.

In 1885 a select committee was appointed by Parliament to inquire into the subject of national provident insurance. Its labors continued for about two years, during the course of which much evidence was taken concerning conditions imposed by various private employers of labor upon those in their employment, in order to provide for their superannuation. This committee was impressed with the growing cost of pensions, and came to the conclusion that not only the civil

^a Twenty-fourth Report of the Civil Service Commissioners. 1879. Appendix IX, p. 592.

but the military establishments of the State also might well follow the example of private business firms in requiring employees to contribute to their pensions. They stated in their report that they—

Are of opinion that all persons hereafter appointed to the service of the Crown, whether civil or military whose service at present counts towards pension, should contribute towards that pension by a percentage deduction from salaries or pay. The steady and rapid growth of the pension list points to a proximate revision of the entire policy of burdening the public with the provision of pensions; the enterprise of private individuals and firms indicate the advantage of self-help as a condition of employment (which it might be proper to supplement with state-help); and your committee recommend that not only in service counting under the present system towards pension, but also in the police and other unpensioned branches of the public service, contribution to a pension fund should be made obligatory.^(a)

RIDLEY COMMISSION, 1886.

On September 20, 1886, a royal commission, of which Sir Matthew White Ridley was chairman, was appointed to inquire into the condition of the civil establishments. The commission was authorized to inquire into the numbers, salaries, hours of labor, superannuation, cost of the staff, and the administration, regulation, and organization of the civil offices. They were instructed as follows:

You will state whether, in your opinion, the work of the different offices is efficiently and economically performed; whether it can be simplified; whether the method of procedure can be improved; and whether the system of control is deficient or unnecessarily elaborate.

As ten years have now elapsed since the adoption of the scheme of organization recommended by the Playfair Commission, the time has come when the working of the scheme may, with advantage, be reviewed. You will, therefore, report whether the scheme has been fairly tried; whether its provisions have met the requirements of the service, and deserve confirmation and whether any modifications are needed to give it complete development.

Lastly, you will examine the non-effective charge of the civil service, and advise whether the present pension scales and regulations are equitable alike to the State and to its servants.^(b)

GROWTH OF "THE DEFERRED PAY" ARGUMENT.

While the recommendations of this commission in regard to superannuation were not acted upon, the record of the inquiry made by it into the working of the pension scheme and the evidence submitted to it on the feeling of the civil servants in regard to the way

^a Second Report of Commission on Civil Establishments. 1888. Appendix, p. 423.

^b *Idem*, p. v.

in which they were pensioned are of great significance to the student of the British superannuation system. The most striking fact brought out was the development of the idea suggested to the Committee on Civil Expenditures appointed in 1873, that the pension is a substitute for increase of salary, or, as it may be more forcibly stated, that the pension is actually paid out of the salary. The phrase that came into vogue at the time of this inquiry and which has been current ever since was this: "Pensions are deferred pay." We see, instead of gratitude for the grant of pensions the growth of a conviction that salaries are lower than they would be without pensions, and by an amount more than sufficient to pay the cost of pensions, and a spirit of discontent spreading from that belief.

ABOLITION OF PENSIONS PROPOSED BY SIR ROBERT HAMILTON IN FAVOR OF SAVINGS SCHEME.

A memorandum was submitted to the commission by Sir Robert Hamilton which created the greatest interest both among members of the commission and members of the civil service, and which became the center of debate that has ever since continued around the words "deferred pay."

Attacking the existing pension system as a system of "deferred pay," and maintaining therefore that it is "clearly inequitable to withhold from the representatives of a man who dies on full pay the deferred pay which he has earned," Sir Robert Hamilton proposed a complete change in the system. Assuming that part of the salary was being withheld as "deferred pay" to be returned to those members of the service who became pensionable, he suggested that it would be better to place this amount to each man's credit in the government savings bank, to be returned to him with interest on his withdrawal from the service or to his representatives in case of his death. What he proposed was virtually an abolition of the pension system and the adoption of a savings arrangement. In view of the serious consideration given his memorandum and the discussion of the basic principles underlying the whole theory of superannuation which it opened up and which has gone on ever since in England, the most important part of that memorandum is here given:^(a)

The reference to the commission to "examine the noneffective charge of the civil service, and advise whether the present pension scales and regulations are equitable alike to the State and to its servants," is an extremely important one. The Playfair Commission did not deal with this subject beyond expressing their opinion that it would not be desirable to give clerks the option of retiring, say, after

^a Second Report of Commission on Civil Establishments. 1888. Memorandum, pp. 572, 573.

20 years' service, instead of being required as at present to serve until they are 60 years of age. I have long thought that the present pension system required radical alteration.

Payment of superannuation can not be defended on the ground of its being a charitable contribution, for the State as the trustee of the people's money would not be justified in making any such use of it. But it can be defended on the ground that it is a means of procuring cheaper service and keeping down the amount of the salaries which would otherwise be payable. In other words, it represents *deferred pay*; but if this be so, it appears to me to be clearly inequitable to withhold from the representatives of a man who dies on full pay the deferred pay which he has earned.

Another defect of the present system is, that while deferred pay should bear some proportion to the varying rates of pay received for active employment, the pension is fixed solely with reference to the salary paid in the last three years of service.

Again, in the civil service, but still more so in the military services, huge future liabilities are often incurred by some concession or alteration which makes but little addition to the estimates of the year in which the change is effected, and which never receive the attention they deserve. To give a very simple case: If an officer receiving, say, £600 [\$2,919.90] a year, is allowed to progress by £25 [\$121.66] a year to £900 [\$4,379.85], the estimates for the year show only an increase of £25 [\$121.66] a year until the maximum is reached. But when that man comes to retire instead of getting two-thirds of £600 [\$2,919.90] or £400 [\$1,946.60] a year as pension he gets two-thirds of £900 [\$4,379.85] or £600 [\$2,919.90] a year. The capital value of this addition in the shape of pension (taking the rates laid down for commutation) would be £200 [\$973.30] $\times$ 9.19 = £1,838 [\$8,944.63].

If it were possible to make the estimates of each year bear the whole charge, both effective and noneffective, incurred in that year, a most valuable check would be created upon extravagant retirement schemes, and Parliament would know exactly what it was asked to sanction.

I think a scheme for superannuation could be devised which would meet this important requirement, and also secure that each man, or his representatives, received the exact amount of his accumulated deferred pay. The only real difficulty and objection is that it would involve a largely increased charge during the period of transition from the one system to the other.

Assuming that for every £100 [\$486.65] now paid in salaries there is £20 [\$97.33] paid in pensions, and that this is a fair proportion to maintain, when a clerk is appointed at £100 [\$486.65] a year, £120 [\$583.98] should be provided in the votes in respect of him. Of this, £100 [\$486.65] would be paid to him, and £20 [\$97.33] placed to his credit in the Government savings bank. On this amount he would have no claim whatever until his retirement. But when his service came to an end, he or his representatives, if he died in service, would receive his deferred pay which would be accumulating to his credit at compound interest.

The advantages attending such a plan over and above the two main ones which I have pointed out would be very great:

(1) The proportions of deferred pay could be varied to suit the differences of service, e. g., in services such as certain grades of the

Army and Navy, and the Police, in which physical energy is essential, and it is not desirable to retain men beyond 40 or 50 years of age, the proportion of deferred pay might be greater than in the case of clerks. It might also be somewhat raised to meet the case of what is called "professional qualifications" under sec. 4 of 22 Vict., c. 26.

(2) So long as the service did not suffer from the withdrawal of the official experience of a clerk, and the office should of course always have the power of vetoing a retirement, it would not matter from a pecuniary point of view after what length of service a clerk might elect to retire.

(3) It would be much easier than it is at present for a department to get rid of inefficient men. Some small addition might be added for compensation when a clerk was required to retire before 60 years of age; but this would have to be provided for in the estimates for the year in which he retired, and would only be awarded if his record was very good. In other cases it would be a condition of service that he must retire when required to do so by the head of his department, on his deferred pay alone. I attach great importance to this power. Men, especially towards the top of an office, should be judged by a high standard, and removed without hesitation if they fail or cease to come up to it.

(4) No trouble could arise about re-employing men who had been pensioned, for the cost to the State would be the same in all cases.

(5) The whole of the costly machinery for the payment of pensions might eventually be got rid of, and a large saving thereby effected.

(6) The heartrending cases which now constantly occur of good men dying in harness, without having been able to make any provision for their families, would be largely met.

Not only would such a scheme enormously promote economy and efficiency, but I feel certain that it would be most acceptable to the civil servants as a body.

I see no way of dealing satisfactorily with the question of superannuation short of such a complete change in the system. The present system is defective throughout. Clerks practically can not be got rid of until they are 60 years of age, however inefficient they may be, except by making a shuffle of the cards, called a "reorganization of office," and by giving them certificates that they have served with "zeal and fidelity." Even when they are 60, although they can themselves claim to go, there is no statutable power to get rid of them. It is true that the War Office and Admiralty have made office rules on this point, and enforce compulsory retirement at the age of 60, extended in some cases to 65, but their competence to issue such rules is not entirely clear. I regard compulsory age retirement as absolutely essential to keep an office in a state of efficiency, whatever the system of superannuation may be.

I should extend commutation to all pensions. It costs the Government nothing, and is a benefit much prized by the service. From my scheme (*supra*) it will be seen that I attach no importance to the policy of the State securing a yearly provision for its servants in place of compensating them once for all, and leaving them to make their own investments. But if the regulations of the Treasury minute of 28th October, 1882, are maintained, which limit the commutation to two-thirds of the pension, or to such less proportion of it as leaves an amount of not less than £80, I can see no reason that

can, from any point of view, be urged against making all pensions commutable.

APPROVAL OF SIR ROBERT HAMILTON'S PROPOSAL EXPRESSED BY OFFICERS OF THE TREASURY.

Study of the testimony taken by the commission shows a surprising agreement on the part of the witnesses with the suggestion of Sir Robert Hamilton to abolish the pension system and establish instead a savings scheme which would enable the civil servant, on retiring from the service, to take his money in a lump sum or, on dying, to leave it to his representatives; in other words, to commute the pension he would receive if he remained to the pensionable age. Approval of Sir Robert Hamilton's suggestion in the main was expressed by high officials of State, such as Sir Reginald Welby and Sir Herbert E. Maxwell, who constituted the committee on pensions and superannuation at the Treasury, and Sir Thomas Henry Farrer, permanent Secretary of the Board of Trade, as well as by humbler members of the service, such as clerks at the Board of Trade, in the Post-Office, and in the Inland Revenue Office. Others who were not questioned particularly about their view of Sir Robert Hamilton's suggestion nevertheless took occasion to praise a contributory system—provided refund of payment was allowed—for two reasons. They thought it superior to the existing system because it enabled the heads of departments to dismiss inefficient clerks without cruelty and it softened the hardship caused to families of clerks who died in harness. The assumption that a pension was “deferred pay”—that is, that something was virtually being deducted from salaries all along in order that pensions might be granted at the end of the service—seems to have been tacitly accepted by all witnesses. The majority of them argued also for the funding of the contributions. The experience of English railways in retiring their employees seems to have made a generally favorable impression, especially the scheme of the London and Northwestern Railway Company's fund, which was based on contributions of $2\frac{1}{2}$ per cent of salary from the employees, with the addition of an equal amount from the company. Compulsory retirement at a given age was unanimously urged, and calculation of the pension on the basis of the mean salary rather than the ultimate salary was approved, by many as less expensive for the State and entirely just to the civil servant.^(a)

^a For evidence in regard to superannuation submitted to the Ridley commission, see Summary of Second Report of the Ridley Commission Appointed to Inquire into the Civil Establishments of the Different Offices of State at Home and Abroad, 1888, p. lxxiii. Evidence of Sir Reginald Welby, Sir Herbert Maxwell, Sir Algernon West, Sir E. Du Cane, Sir Thomas Farrer, Messrs. Mowatt, Dawson, Whittle and Parkhouse, Jastrzebski and Day, Lushington, Moran, Giffen, Hawkes, Bullock and Barnes, Salin, McCormick, Calcraft, and Blackwood.

ASSUMPTION THAT POSTPONED CHARGE IS MADE BY THE STATE TO
PAY PENSIONS ACCEPTED BY SIR REGINALD WELBY.

The testimony of Sir Reginald Earle Welby, before the Ridley Commission is particularly interesting and significant, not merely because as permanent Secretary of the Treasury and a member with Sir Herbert Maxwell of the Treasury committee on superannuation he was in a position to make important observations on the working of the existing system, but because his testimony shows that in the fifteen years which had elapsed since, as Mr. Welby, principal clerk for financial business of the Treasury, he had testified before the Committee on Civil Expenditures in 1873, his views as to the needs of the service in the matter of superannuation and what could and should be done in the interests of the public had undergone some development. In 1873, although he stated that the action of Parliament in 1857 in abolishing the system of deductions was against the wish of the Treasury and the Government of the day, he seemed disposed to regard the incident as closed. In 1886 he was not by any means so sure that the chapter written in 1859 establishing a universal pension system should be accepted as final. He expressed himself as in favor of the principle of the London and Northwestern Railway pension scheme, namely, a contribution by the servant supplemented by a similar contribution from the employer, and said he saw no reason why this principle should not be introduced in the civil service, although the fact that in the civil service salaries are sometimes largely increased might be an element of difficulty in forming a solvent fund. He was very decidedly of the opinion that a bona fide fund should be created, and not merely a paper fund. Said he:

I think the minds of statesmen, the chancellors of the exchequer, and of the Government, have considerably changed within the last thirty years in that sense. Thirty years ago the idea was to have no funds; to pay everything into the exchequer as it came. The consequence was that neither a minister nor head of a department, nor clerk ever watched the workings of any scheme. The evil of not watching the working of a system has come forcibly home of late years, and our tendency now is to favor in any scheme of this kind the creation of a fund.^(a)

He was therefore not in favor of a contribution by the clerk simply as so much in aid of the exchequer charge for pensions (the motive that had prompted the Superannuation Act of 1834), but thought the contributions by employer and employee should be "put into the fund and managed on actuaries' calculations, so that the fund be kept solvent." He believed that a personal account should be kept with each subscriber and that the actual contributions of the civil

^aSecond Report of Commission on Civil Establishments. 1888. Minutes of Evidence, p. 402.

servant should be returned in case of death or resignation. He stated also that the State had profited by the limited commutation of pensions which had been allowed. Asked whether he would rather attempt to keep the existing system with modifications or to set up a fund, he answered:

I have always regretted the abolition of the old superannuation deductions, as I think it was a mistake. I think a greater part of the mistake was due to the fact that the Government took no trouble to carry it out fully, or to give back to men that which had been taken out of their pockets, but, if the old deduction had been retained upon a reformed system, I think that would have been very fair.^(a)

CONFUSION IN SIR REGINALD'S MIND AS TO AMOUNT OF POSTPONED CHARGE.

While Sir Reginald made no very definite proposals as to the details of a "reformed system," he made it clear that he, like Sir Robert Hamilton, stood for certain definite principles. These were the acknowledgment that the existing system, while on its face a pension scheme pure and simple, was in reality a contributory scheme; the establishment of a system which should be avowedly a contributory system, State and civil servant each contributing to a superannuation fund; this fund to be actuarially administered; and contributions to be returned on withdrawal from the service whether by death or resignation. His ideas as to the amounts which would have to be contributed by the State and by civil servants and the scale of pensions which could be allowed to establish a sound and feasible scheme were hazy, but he was perfectly clear as to the principles involved. Said he:

We have this position. On one side we have a great company which works its noneffective system by taking $2\frac{1}{2}$ per cent from the employee and giving $2\frac{1}{2}$ per cent itself. On the other side we have the State working an extremely liberal scale of pension which involves a postponed charge of from 12 to 15 per cent, compensations apart. Therefore the question lies, I presume, somewhere between these points. For instance, the State might contribute 10 per cent and the individual 5 per cent. * * * We might go further. The contributions being prepaid and accumulated, you might work a liberal pension scheme with 8 per cent and 4 per cent, or a proportion of that kind, according as you would find it necessary. My impression is that we shall not get a really permanent settlement of the question on the basis of so small a contribution by the State of $2\frac{1}{2}$ per cent. That is what I want to bring before the commission.^(b)

This is interesting because it shows Sir Reginald's acceptance of the assumption that the State makes a "postponed charge of from

^a Second Report of Commission on Civil Establishments. 1888. Minutes of evidence, p. 404.

^b Idem, p. 402.

12 to 15 per cent, compensations apart," in order to pay pensions. Including compensations, he figured the postponed charge at 20 per cent, the same assumption made by Sir Robert Hamilton in his memorandum. As this assumption underlies all the agitation that has hung around the words "deferred pay," and as it is persistent to this day, Sir Reginald's explanation of its origin is important. Said he:

I came across the other day some evidence which I have not seen anywhere else. It was an attempt made by the then actuary of the Government to estimate what the future normal charge of the present pension system would be. It was not an official paper; it was a semi-official paper, and the date of it is 1869. He took 10 of the big ordinary clerical offices, such as the Customs and the Inland Revenue. I am not quite convinced that his salary list would not be subject to reconsideration and some alteration, but I may say generally that what he arrived at was this. Take the salaries of any offices as they stand, go forward from thirty to thirty-five years, and you will find the normal noneffective charge on the present pension scale will be from 12 to 15 per cent of the salaries of the thirty years previously. That was his estimate of the normal cost to the State of the present pension law—leaving out compensations.^(a)

This is a perfectly reasonable conclusion for the actuary to have reached, for there is always a definite relationship between existing pensions and the salaries of a generation ago, since the pensioners of to-day are those who were on the active pay roll thirty years ago. In other words, the effective vote of to-day becomes the noneffective vote of to-morrow, allowance being made on one hand for deaths, resignations, and reduction of the pension by the amount which it is less than the salary, and on the other hand for increases in salary, a total diminution roughly estimated amounting to about 80 per cent. That the ratio of the existing pensions and compensations to past salaries amounted to 20 per cent in 1869 is therefore highly probable. This important statement was not, however, fully understood by all who referred to it, as will be seen later on.

ASSUMPTION THAT POSTPONED CHARGE IS MADE BY THE STATE TO
PAY PENSIONS ACCEPTED BY SIR HERBERT MAXWELL.

That Sir Herbert E. Maxwell, Sir Reginald Welby's colleague in the Treasury, had also given the subject of superannuation very careful study is evidenced by his testimony. Like Sir Reginald and Sir Robert Hamilton, he thought a complete change in the pension system was desirable. Sir Herbert prepared for the use of the commission a memorandum on the origin and development of superannuation and retired allowances in the civil service, with an analysis of

^aSecond Report of Commission on Civil Establishments. 1888. Minutes of Evidence, p. 402.

the alternative remedies against the growth of the ineffective vote. Like Sir Reginald, he was clear as to the principles which should be laid down in the solution of the problem but admitted his inability to see how the details could be worked out satisfactorily. He was also pessimistic as to whether or not the most ideal system would be proof against probable assault, on political grounds, from Parliament. Said he:

If it were possible to provide any guarantee for the permanence of a superannuation fund, it is difficult to see what objection could be raised against it. But in view of the fate which befell the last fund, it is only too probable that the same forces which prevailed against it would prevail again, namely, pressure on and by members of Parliament.^(a)

Questioned by the commission as to his views he declared:

I have a very strong opinion that the reestablishment of a superannuation fund would be to the advantage not only of the public, but also of the service. In the first place, the estimates of the year would show the liabilities of the year, and there would not be deferred liabilities, as there are under the present system. * * * They do not show the prospective additions (as well as the retrospective). * * * They do not show, for example, the liabilities that are incurred by a reorganization. I think Sir Robert Hamilton gives an illustration of that.^(b)

Contending that the estimates should bear the whole charge, both effective and noneffective (that is, both salaries and pensions) incurred in that year, he said:

That would be the result of establishing a superannuation fund. You would pay a servant so much, and you would deduct so much as a contribution to the fund, and that money would be invested for him by the State, and on his leaving the service, either by death or by retirement or by superannuation, would be handed over to himself or his representatives, plus the interest. That seems to me the most direct and the most advantageous plan. It would make pensions what they profess to be now, but are not, literally *deferred pay*. It is only overshadowed by one great difficulty—parliamentary pressure.

“You are clearly of the opinion that anything which brings before the public and the taxpayers of the country prominently, the fact that pensions are deferred pay, would be a good thing?” queried the chairman.

“Yes;” answered Sir Herbert, “because that is the only warrant for pensions now. That is the ground on which they are based.”^(b)

He pointed out other advantages of a superannuation fund, as he saw it, such as “a right to compel to retire on the one side, and a right to retire on the other with some sum which represented deferred pay which had been earned,” and the disappearance of the distinction

^a Second Report of Commission on Civil Establishments. 1888. Appendix, p. 423.

^b Idem. Minutes of evidence, p. 154.

between established service and temporary service, a distinction which caused great difficulty in the administration of all departments. From his experience at the Treasury he declared also that he would indorse Sir Robert Hamilton's statement, "I should extend commutation to all pensions. It costs the Government nothing, and is a benefit much prized by the service."

The practical question of how to proceed to put into practice the principles he felt to be the correct ones that should underlie a proper superannuation system he confessed himself unable to answer. Said he:

I think the alternative is a triple one, if I may say so, either the abolition of pensions altogether, the employment of men at full pay and washing your hands of all responsibility for their future after they have done their work, or secondly making them contribute to a superannuation fund by which they should be under an arrangement which would entitle them at cessation of service to receive their full amount of contributions, plus interest; or, thirdly, making them contribute to this fund and receiving a pension as under the present system. It involves such a deal of actuarial calculation that of course I hesitate to offer an opinion as to the requirements of the last two alternatives.^(a)

A member of the commission hereupon queried: Would the first of the last two alternatives require an actuarial calculation? You would simply pay back the man what he paid in?

"No, it would not" answered Sir Herbert, "but if you undertake the annuity instead of handing over the lump sum, it would. Of course the first of those two is the simpler, but it is attended with this disadvantage, that when you get down to the lower grades, when you get to artisans and copying clerks and so on, if they leave the service and they receive a certain amount of that money, you have no guarantee that they will invest it properly or that they will not fall into very distressing circumstances and so reflect discredit on their former employers."^(a)

The chairman then asked Sir Herbert if it was his idea that deductions should be made from present salaries, or if he agreed with Sir Robert Hamilton in thinking that present salaries should be raised in order to get that fund. To this Sir Herbert replied:

Of course if you proceed on the assumption that the present salaries are calculated on a lower rate in consequence of the prospective advantages, you would have to raise the salaries if you make the people provide their own prospective advantages; but that is a very large question. I should think, as a matter of fact, that in a great many cases the rate is not lower in the Government than outside.^(a)

^aSecond Report of Commission on Civil Establishments. 1888. Minutes of evidence, p. 155.

CONFUSION IN SIR HERBERT'S MIND AS TO AMOUNT OF POSTPONED CHARGE.

It should be noted that, in assuming that pensions were deferred pay, Sir Herbert misinterpreted the statement of the actuary of 1869 that the postponed charge of present pensions was from 12 to 15 per cent of past salaries. Since his interpretation of that statement seems to have become current, and is referred to in a subsequent inquiry conducted by a royal commission in 1902, it is important to know just what his error was. He said:

The contribution which would have to be levied from pay and salaries to support a fund for the payment of superannuation on the present scale and conditions, has been variously estimated at from 12½ to 16 per cent. There exists a difficulty in calculating the precise deduction necessary, owing to the fluctuating rate of promotion in the departments and the consequent uncertainty as to the rank which may be attained at a given age.^(a)

Asked for his authority for this statement, Sir Herbert said: "I believe it was an actuarial computation which Sir Reginald Welby obtained." The statement of Sir Herbert is not, however, implied by that of the actuary of 1869, for although the normal cost of existing pensions might be 12 to 15 per cent of past salaries it would take much less deduction of salaries than 12 per cent to pay for the pensions, since the operation of compound interest over a long period of years is a factor which has a very important bearing on the subject, but which Sir Herbert overlooked entirely.

DISAPPROVAL OF SIR ROBERT HAMILTON'S PROPOSAL EXPRESSED BY MR. MOWATT.

Probably the most conservative opinions in regard to alteration of the existing scheme were held by a witness whose testimony was of importance because of his official position and because certain statements made by him were misunderstood and later misquoted. He was Mr. Frank Mowatt, the permanent officer at the Treasury who was principally responsible for the granting of pensions. Mr. Mowatt took the view and expressed it in half a dozen ways, that the civil servant was better off and better satisfied to have his salary "at the full market rate of wages" and to be "left to manage his own pecuniary concerns" in whatever manner he thought best, than to be given a pension, but that it was impossible practically to carry on the government service in that way without pensions, because when the time for retirement came the Government would be "forced to provide him with a pension, not on the equity of the case so much

^a Second Report of Commission on Civil Establishments. 1888. Minutes of evidence. Appendix, p. 423.

as because he would appeal so directly to the sentiment of compassion." In his view, therefore, pensions were necessary, but existed "not so much for the benefit of the public servant as for the benefit of the public." In another place he said: "I think the best arrangement is to pay the civil servant the full market rate of his wages and leave him to provide for himself on his retirement."

Although he implied in these statements that the civil servant, because of his pension, was paid less than "the full market rate of wages," Mr. Mowatt was unwilling to admit that pensions were deferred pay. He refused to admit it apparently because the conclusion it led to was one he did not care to entertain. Said he:

I think the definition of deferred pay, though convenient, is not exact; because if it were adopted it would carry with it some consequences which are not recognized in our present system. If pension were a deferred pay it would be the absolute property of a civil servant. You must give it to him whenever and for whatever cause he retires, or if he should die in the service it would belong to his estate; again, if it were deferred pay, it must be calculated, not upon the salary upon which he retires, but on the salary which he has received from year to year.^(a)

Asked if he saw no advantage in granting the recipient the rights implied in the theory of deferred pay he simply said he would rather not do so, but gave no reason for his preference. He said that Sir Robert Hamilton's suggestion was practically a proposal to commute all pensions, but he did not say why that should in his opinion not be done. He said he would define pension "as a payment made by the State to entitle it to retire the officer, or to discontinue his services whenever the interest of the State requires it."

He was averse to making changes in the existing system. He thought the scale of pensions very fair, and he held that abolition terms were necessary in order to facilitate reorganization. Asked if he did not think it would be advantageous to have the pension bear some proportion to the amount of years served at each rate of salary, in other words to be calculated on the mean instead of the ultimate salary, he said:

I see no advantage in the change; because as I have said, I regard the pension as the sum paid by the State to enable it to get rid of its inefficient officers; and so long as the sum is sufficient to induce the controlling authority to act, it is immaterial which way you calculate it.^(b)

One reform he did stand for staunchly, and that was compulsory retirement at age sixty-five. He would not even permit the retention in office of exceptional men after they had reached that age.

^a Second Report of Commission on Civil Establishments. 1888. Minutes of evidence, p. 156.

^b Idem, p. 158.

He thought the formation of a fund by deductions from salary full of difficulties, owing principally to the pressure on and by members of Parliament and the resistance of members in the service. Stating that he believed the rates of salary in the bulk of the civil service to be slightly in excess of those in commercial houses, and that therefore deductions for a superannuation fund should be effected by stoppage from salary rather than by addition to it, he was led to admit that a scheme which provided for the return of the deductions, with interest, would decrease the difficulty of getting rid of incompetent servants.

CONFUSION IN PUBLIC MIND REGARDING MR. MOWATT'S TESTIMONY
AS TO AMOUNT OF POSTPONED CHARGE ACTUALLY MADE BY THE
STATE.

The part of Mr. Mowatt's testimony which came to be historic was that which related to the ratio between the effective and noneffective charges. In answer to a question, Mr. Mowatt made the statement that the noneffective charge was from 16 to 20 per cent of the effective, or as it would be expressed in the United States, "the amount paid for pensions was from 16 to 20 per cent of the amount paid for salaries." Attention should be called to the fact that there is no connection between present pensions and present salaries. The relationship lies instead between present pensions and past salaries, or between future pensions and present salaries, since those on the salary roll of one generation are found on the pension roll of the next. It is a question, however, that is often asked by the laity: What per cent of salaries are the pensions? It was asked Mr. Mowatt and he answered: From 16 to 20 per cent. Unfortunately, he had just been asked by another member of the commission a totally different question in regard to what authority Sir Herbert Maxwell had for the statement made by him, and mentioned above, that the amount of deductions from salaries necessary to set up a fund had been "variously estimated at from 12½ to 16 per cent of salary." There was no connection between the two questions and the two answers, as a careful reading of the evidence will show, but based on this testimony, nevertheless, the statement was made in later years that Mr. Mowatt, of the Treasury, had told the Ridley Commission that from 16 to 20 per cent was deducted from the salaries of civil servants to provide pensions. The text of this evidence became of such importance in the course of a future inquiry that it is here given in full.

MR. HARVEY. Supposing this commission should come to the conclusion that it would be advisable to attempt to set up such a fund, for a moment putting aside your view, are you able to tell us upon what data the estimate was framed to which Sir Herbert Maxwell refers when he says, at the bottom of page seven of his memorandum,

that the contributions have been "variously estimated at from 12½ to 16 per cent?"

Mr. MOWATT. I am aware that there was an actuarial calculation, though professedly incomplete, in a certain number of offices which gave that estimate; but it did not include any calculation touching abolition of office.

LORD LINGEN. If we took as a rough test the proportion of pensions to salaries, is it not the general opinion that about 20 per cent of the effective represents the noneffective charge?

Mr. MOWATT. I have made calculations myself, but they have never been complete, and I could not support them absolutely. But I should say from my experience that you would find the noneffective charge was about an addition of between 16 and 20 per cent.

The CHAIRMAN. Even more than 20? I should think it was quite a sixth. I make it out to be between 16 and 18 per cent.

Mr. HARVEY. Do you mean that if a civil servant entering under the ordinary conditions has £100 [\$486.65] a year salary, the real charge that the State has to undertake for him under the present system is £118 [\$574.25] a year?

Mr. MOWATT. I should say at least.^(a)

APPROVAL OF SIR ROBERT HAMILTON'S PROPOSAL EXPRESSED BY OTHERS.

Sir Thomas Henry Farrer, for thirty-six years in the Board of Trade, first as Assistant Secretary and finally as permanent sole Secretary, was inclined to look with favor on the change of pension system proposed by Sir Robert Hamilton, because it would prevent posterity from being charged with the expense of the present service.

(1) Would prevent pensions being charged to posterity.

Sir Thomas said:

Sir Robert Hamilton gives two principal reasons in favor of his proposed change. The first is that as a matter of principle the Government have no right to give anything in the form of charity, therefore you must look upon the existing pension as deferred pay. Then he says if it is deferred pay the man ought to have it whether he dies in harness or not. I think that is true logically, but it is rather theoretical. If a man joins the service upon the present terms I do not think he can complain if he gets what he has agreed to. Then comes the other reason, which is that by the present system we are charging posterity for present service. That seems to me a very strong reason indeed. The burden of the pension fund is growing, and the facility of charging posterity with it tends to great laxity in granting it. If you could in any way put the burden of the year upon each year and let it appear in the estimates, it would be an immense improvement. Sir Robert Hamilton gives some other reasons. He says that it is a very extravagant plan to make the pension depend

^a Second Report of Commission on Civil Establishments. 1888. Minutes of evidence, p. 162.

upon the last three years of the man's salary, and that it ought to depend upon his whole service. I am disposed to agree with him there, but there is no reason why the present scheme should not be altered in that respect.^(a)

Although he made no reference to the memorandum of Sir Robert Hamilton, Sir Algernon Edward West, head of the Inland Revenue Service, gave some testimony which showed him to be in sympathy with the idea of reverting to a contributory plan of superannuation. Asked if he had "any suggestions to make for a reduction of this enormous noneffective charge," he responded:

I am sorry to say I am old enough to recollect the time when five per cent was deducted from my salary when I entered the service to pay my superannuation fund. In 1857 Lord Naas brought forward in Parliament the abolition of that fund. I made up my mind, even then, that if Sir George Lewis had met what I then thought, as a clerk, the just grievances of us clerks, he might have saved that gift of £75,000 [\$364,987.50] to the civil service. I recollect we thought that if this five per cent was deducted from our salaries all through our career and we died immediately after forty years' service, and the State got the whole of our deductions, that was an injustice. I should be very much inclined, if you ask my opinion, to say that I think it would be a very fair thing to revert to the five per cent deduction from salaries for pensions, thereby reducing the charge of superannuation on the State, but with the distinct understanding that these deductions should be the absolute property of the person who pays them.

Do you mean that he should get it at any period before he had earned his pension, or, if he died, that his representatives should get it? asked the chairman.

No, not before, but if he died in the service, that his representatives should get that part of it which he had himself subscribed. I do not think it is fair that the State should make a profit out of the deduction; neither do I think it is fair that the State should profit by what I call ill luck of the man; when a man has served forty years and dies the day he retires, I do not think that the State should profit by that misfortune, and I think the sum which has been deducted from his salary should be returned to his representatives, but if he lives to ninety the pension he has received from year to year till then should have been subscribed to a large extent by himself.^(b)

(2) *Would facilitate dismissal of inefficient employees.*

On being asked what regulations he would make in the event of desiring to get rid of a man for inefficiency before he had earned his pension, he answered,

I think it might facilitate that very desirable object of being able to push a man out if you felt that he was not going out to starve.

^a Second Report of Commission on Civil Establishments. 1888. Minutes of evidence, p. 381.

^b *Idem*, p. 254.

I think that whatever he subscribed himself, if he was not qualified for a pension from the State, he should have, unless he was absolutely guilty of fraud or misconduct. I do not think the State ought to make money out of these deductions.^(a)

To the heads of offices generally the possibility that Sir Robert Hamilton's plan might offer a means of getting rid of inefficient employees before they had reached an age at which they could be pensioned without harshness to the individual or expense to the State was very attractive. Most of them made statements showing that this difficulty was one of the most delicate administrative problems which they had to solve.^(b) Many of them stated their belief that a system of deductions from salary to be repaid on retirement would facilitate getting rid of inefficient men.^(c) The only way in which they had been able, under the law, to rid the office of inefficient clerks was through a reorganization of the force in such a way as to abolish the office of the incapable incumbent. He could then be retired under section 7 of the Act of 1859 on "abolition terms;" that is, he was dismissed with a compensation allowance calculated on the same scale as if he were qualified for a pension. A reorganization of the office was not always possible, and the practice arose of getting rid of undesirable clerks by grants of gratuities. In awarding them, however, the Treasury was acting *ultra vires*, as it had no statutory power to do so. While the Ridley Commission was still taking evidence, Parliament enacted a retrospective measure designed "to whitewash the Treasury" for its drastic efforts to get rid of the incapables.^(d) This was the second clause of the Superannuation Act of 1887, a supplementary law which made provision for three sets of individuals not provided for in the earlier act: (1) Civil servants whose retirement was advantageous to the service because of what one Treasury official euphemistically described as "inculpable inability;"^(e) (2) civil servants injured in the discharge of their duty or their dependents, in case of the death of the injured servant; and (3) hired persons not on the established list but dismissed after more than a year's "temporary" duty.

Not much hope was entertained that this new act would be helpful to administrative officers in their efforts to eliminate the inefficient from the service. It was generally thought to be too severe to be operative, since no man could be retired under that second clause

^a Second Report of Commission on Civil Establishments. 1888. Minutes of evidence, p. 254.

^b *Idem*, pp. 219, 266, 274, 285, 337.

^c *Idem*, pp. 78, 254, 266, 274, 339.

^d *Idem*, p. 151.

^e See testimony of T. L. Heath, Report of Royal Commission of 1902, par. 58.

unless a minute was laid before Parliament as to the exact cause of his retirement.^(a)

Mr. Gabriel Moran, superintendent of the registry at the Home Office, said:

I question whether heads of departments would like to have a man branded publicly for life as inefficient. It strikes me as damaging to that first clause that you have to lay a minute before Parliament saying a man is inefficient.^(b)

The general feeling of high officials in regard to the removal of inefficient subordinates and their ready approval of Sir Robert Hamilton's suggestion in this respect is well reflected in the testimony of the Honorable Robert Henry Meade, Senior Assistant Under Secretary of State at the Colonial Office. The chairman said to him:

Has it occurred to you at the Colonial Office that you sometimes have a man who has been eight or ten years in the service, and who is evidently not fit for the service, not a man of bad character or anything of that sort, but a man whom it would be desirable to remove if possible, and who himself would be desirous to go, if he could take with him, not exactly a pension, but some small gratuity or something that he had earned in the nature of deferred pay?^(c)

To this Mr. Meade answered:

That of course is a difficulty, and it is one I suppose that all departments have felt from time to time. I think we have been on the whole very fortunate. I think that every department must expect to be weighted with a certain proportion of what I may call lame ducks, and our object must be to keep that percentage down as low as possible. If you were able to make some arrangement such as you suggest, I think it would be a great assistance. At present you can not get rid of a man, because it is practical ruin to him. On the other hand I do not know that the law which was passed last year will help us much; because I do not think that the head of an office would like to gibbet a man before Parliament as incompetent so that I do not anticipate very much effect from that.^(c)

^a Clause 2 of the act of 1887 read as follows:

Where a civil servant is removed from his office on the ground of his inability to discharge efficiently the duties of his office, and a superannuation allowance can not lawfully be granted to him under the superannuation acts of 1834 and 1859, and the Treasury think that the special circumstances of the case justify the grant to him such retiring allowance as they think just and proper, but in no case exceeding the amount for which his length of service would qualify him under sections two and four of the Superannuation Act, 1859, without any addition under section seven of that act.

A minute of the Treasury granting an allowance under this section to any civil servant shall set forth the amount of the allowance granted to him, and the reasons for such allowance, and shall be laid before Parliament: *Provided*, That the Treasury before making the grant shall consider any representation which the civil servant removed may have submitted to them.

^b Second Report of Commission on Civil Establishments. 1888. Minutes of evidence, p. 57.

^c *Idem*, p. 78.

Sir Thomas Farrer alone was a little skeptical of the claim made for Sir Robert Hamilton's proposed plan that it would facilitate the dismissal of inefficient employees, but he admitted that theoretically the contention was sound. He said:

It is no doubt theoretically, perfectly true, but I think it overlooks what is the real difficulty of getting rid of useless men. There is a certain difficulty in the soft-heartedness of heads of departments and of ministers. But there is a very much greater difficulty in the pressure which is put upon them by members of the House of Commons.^(a)

Asked if he did not think that the ability to give a man, on leaving the service, the money he had contributed would help to get rid of incompetent men, he answered:

No, I do not think it would, unless the House of Commons passes a self-denying ordinance, and refuses to interfere with the ministers in the management of their departments.

At all events it would take away a good deal of possible sympathy for an incompetent man if it was known that he had received a certain allowance of money? suggested the chairman, and to this Sir Thomas said, "Certainly."^(a)

With less reluctance he admitted that the proposed change might have a good effect on the tendency to abolish an office in order to rid it of an undeserving officer by putting him on a pension, a policy that had been found to "make great and most unsatisfactory additions to the pension charge." Said he:

Yes, I think in principle it would be a good thing. Let me say with regard to abolition that I agree most heartily as to what you say of the abuse of abolition terms. I think it is one of the greatest possible abuses that you should be obliged to pay high to get a bad man to go. It is not only the harm that it does in the way of extravagance and expense, but it is such a discouragement to the good men in office.^(b)

APPROVAL OF SIR ROBERT HAMILTON'S PROPOSAL EXPRESSED BY CIVIL SERVANTS.

The advantage claimed for Sir Robert Hamilton's suggested plan that made the strongest appeal to the civil servants themselves was that it would lessen the hardship caused to families of clerks dying in harness if the accumulated deferred pay of a clerk was then turned over to his family. Their interest in this phase of the problem was what might be expected, in view of the arguments and representations made by the committee of civil servants in 1856. It will be remembered that what a large number of them asked for

^aSecond Report of Commission on Civil Establishments. 1888. Minutes of evidence, p. 382.

^bIdem, p. 385.

most earnestly at the time the pension plan was established was not that the deduction be abolished, but that half of it be remitted and the other half collected into an insurance fund for the benefit of their dependents. What they had criticised in the old contributory system established by the Act of 1834 was the fact that it made no provision for their widows and orphans and took contributions that might otherwise have bought insurance for them.

Representing the assistant clerks at the Board of Trade, Mr. S. Bullock and Mr. A. Barnes stated that they considered pensions as deferred pay and were inclined to agree with Sir Robert Hamilton's memorandum. "It proposes," said Mr. Barnes, "that a proportion of the salary should be deducted, and that the salary so put aside should be available, in the case of the death of the civil servant, for his representatives. That seems much fairer than the present system." Asked if he thought that the service would in that case be unpopular with good men, if the salaries were fixed, including the additions, at figures lower than those then paid, Mr. Bullock replied: "I believe it would be a great advantage, and that it would be received with great satisfaction."

Messrs. J. W. Curra, C. G. Hawkes, and C. D. Upham, representing clerks in the Post-Office, said that after carefully reading the statement by Sir Robert Hamilton, they, "as lower division clerks, and young men having lately entered," would "very much like to see some scheme such as that proposed in operation rather than the present one." Mr. Hawkes stated that they were in favor of a lump payment in lieu of a pension because under the existing system, "however hard a man is worked, however much he deserves his pension, if he dies in harness his friends get not a halfpenny." He thought, however, that the deductions for the lump sum on retirement should be paid by the Treasury. Mr. Upham stated that their salaries would not permit any deductions toward pension, maintaining that civil servants were not so well paid as men in commercial circles.

Mr. E. T. A. Kennedy and Mr. T. W. McCormick, representing clerks in the Inland Revenue Office, saw no objection to deductions from salaries being made toward a pension fund if salaries were made sufficiently large to bear it. They were averse to any further deductions, but if a new scheme were adopted by a supplemental provision, such as Sir Robert Hamilton suggested, of 20 per cent in the estimates, they thought that a great many of the civil servants would be prepared for a deduction. "At any rate," said Mr. McCormick, "their legal representatives could take that on their death, and that would obviate the great hardships that now exist of the wife being left helpless on a man's death."

It was not only the low-salaried clerks of the service who maintained that the existing pension system worked a hardship on their

families, if they happened to die in office. Sir Algernon West, a high administrative officer, said:

It is very curious that the State is extraordinarily liberal to its servants in every way but one. For instance, with my service, I might have a year's leave. I might have six months on full pay and six months on half-pay if my health was to fail. I call that extraordinary liberality. But on the other hand, if in the height of my work I was to die, from that hour my pay would cease; that I do not think liberal, because I always think it is impossible that a man's expenses can cease from the moment of his death, and therefore I have always thought that a little bit of illiberality on the part of the Government. It is the only little bit I know, I am bound to say.^(a)

The last witnesses to appear before the commission in regard to the subject of superannuation were Messrs. T. T. S. de Jastrzebski and Henry Day, who represented the general body of the lower division clerks and had been requested by the general committee of that body to present the views of the lower division clerks to the commission. In view of the fact that the superannuation acts of 1859 and 1887 provided free and universal pensions on a most liberal scale for all permanent civil servants besides gratuities for many employees not classified as permanent, the earnest request of this large body of clerks that the pension system be abolished and that they be allowed to contribute to their retirement is surely very astonishing. There seems to be no record, on the other hand, that any representative of the public service appeared before the commission to dispute the claim so generally made that the clerks were already practically contributing to their pensions. Said Mr. Day:

There is a very strong feeling, not only in the lower division but throughout the general service, especially when there is anything like a stagnation of promotion, that the Act of 1859 is certainly inadequate in its provisions. Having searched through many of the railway companies and banks, in respect to their pension systems, we come, as lower division clerks specially, to the conclusion that their systems are more liberal and sufficient and much more fitting the needs of their clerks than what the Act of 1859 does for the junior civil servant.

"Would you be willing to take the London and Northwestern scheme?" he was asked, and made the following answer:

No, I would offer the best points of all schemes for such a class of men as the junior civil servant, that is, (1) I would ask for optional commutation of all pensions; (2) I would ask for the balance of the unabsorbed deferred pay after a man had been superannuated but had not exhausted his fund; (3) I would ask for the deferred pay of the clerk dying in harness being paid to his representatives; and (4) I would ask for the deferred pay to be made to a man retiring voluntarily after ten years' service.^(b)

^a Second Report of Commission on Civil Establishments. 1888. Minutes of evidence, p. 255.

^b *Idem*, p. 412.

Asked what conditions he coupled with that in the way of deductions from salary, Mr. Day said that he thought the lower division clerk would gladly pay his contribution and that he understood 2½ per cent was deemed necessary from the employees in the case of the various railway companies providing half the money.

GROWING COST OF CIVIL PENSIONS.

The cost of superannuation was naturally a question into which the Ridley Commission inquired. Valuable data on this subject were supplied them by Sir Herbert Maxwell and Mr. Mowatt. Sir Herbert showed the growth of the civil service vote for superannuation from the years 1833–34 to 1868–69 by the following table:(^a)

Year.	Amount.	Year.	Amount.	Year.	Amount.
1833-34.....	\$272,363	1845-46.....	\$390,780	1857-58.....	\$777,871
1834-35.....	286,432	1846-47.....	393,213	1858-59.....	792,699
1835-36.....	322,250	1847-48.....	424,359	1859-60.....	812,652
1836-37.....	359,659	1848-49.....	375,694	1860-61.....	864,840
1837-38.....	386,079	1849-50.....	535,884	1861-62.....	900,984
1838-39.....	404,951	1850-51.....	529,319	1862-63.....	898,872
1839-40.....	427,206	1851-52.....	526,580	1863-64.....	858,752
1840-41.....	442,608	1852-53.....	658,725	1864-65.....	902,585
1841-42.....	399,053	1853-54.....	647,147	1865-66.....	872,963
1842-43.....	408,786	1854-55.....	660,734	1866-67.....	904,624
1843-44.....	395,646	1855-56.....	674,541	1867-68.....	958,871
1844-45.....	417,546	1856-57.....	713,122	1868-69.....	1,337,640

As explained on page 30, the cost of superannuation in the Revenue Departments, the Admiralty, the War Office, and the Royal Irish Constabulary was not included in the civil service vote after 1832. In 1868–69 a number of noneffective charges were transferred from various effective votes to the superannuation estimate. After 1869–70 the appropriation accounts as given by Sir Herbert Maxwell were as follows:(^a)

Year.	Superannuation allowances.	Compensation allowances.	Compassionate allowances.	Compensation and compassionate allowances.	Gratuities.	Total.
1869-70.....	\$802,530	(b)	(b)	\$818,467	\$5,742	\$1,622,798
1870-71.....	851,190	(b)	(b)	971,626	77,226	1,900,042
1871-72.....	912,177	(b)	(b)	1,062,809	25,402	2,000,438
1872-73.....	948,724	(b)	(b)	1,055,422	28,260	2,032,406
1873-74.....	1,014,023	(b)	(b)	1,061,826	18,483	2,094,332
1874-75.....	1,050,984	(b)	(b)	1,030,224	9,392	2,090,600
1875-76.....	1,089,449	(b)	(b)	1,002,752	11,373	2,103,574
1876-77.....	1,106,856	(b)	(b)	1,029,425	6,346	2,142,627
1877-78.....	1,136,269	\$1,065,150	\$14,264	1,079,414	14,132	2,229,815
1878-79.....	1,160,140	977,402	15,349	992,751	12,565	2,165,456
1879-80.....	1,178,837	962,599	15,680	978,279	13,592	2,171,194
1880-81.....	1,238,018	938,904	17,320	956,224	14,089	2,208,330
1881-82.....	1,263,450	905,140	18,824	923,964	11,782	2,199,449
1882-83.....	1,262,536	891,791	18,984	910,775	11,816	2,189,735
1883-84.....	1,279,734	892,297	19,850	912,147	12,687	2,204,568
1884-85.....	1,321,269	876,160	19,266	895,426	11,972	2,228,667
1885-86.....	1,356,736	851,535	17,568	869,103	13,315	2,239,155

^a Second Report of Commission on Civil Establishments. 1888. Appendix, p. 422.

^b Not separately reported.

For the year 1887-88 Sir Herbert stated that a vote of £476,082 (\$2,316,853) was taken in the civil service estimates for superannuation and retired allowances, besides £1,412,622 (\$6,874,525) provided for superannuation in the estimates of the several departments. Thus the total sum voted for superannuation of public servants (exclusive of military and naval pensions) was £1,888,704 (\$9,191,378). It is not clear from Sir Herbert's statement whether this sum included allowances to the Royal Irish Constabulary and the Dublin Metropolitan Police or not, but comparison with Mr. Mowatt's statement of the cost of civil pensions for the following year, 1888-89, would seem to indicate that it did. Mr. Mowatt's statement shows that the total sum voted for the superannuation of public officers in that year amounted to £1,907,863 (\$9,284,615), including the Royal Irish Constabulary and Dublin Metropolitan Police, and to £1,581,992 (\$7,698,764) excluding them. Besides this great sum voted by Parliament for that year, civil pensions to the amount of £345,517 (\$1,681,458) were granted out of the consolidated fund, which would make a total expenditure of £2,253,380 (\$10,966,073) for civil pensions.

REPORT OF THE COMMISSION.

The report made by the Ridley Commission on the subject of superannuation in the civil service, as the result of its investigations, contained recommendations that have not been perpetuated in legislative enactments, but the report is nevertheless significant and valuable to the student as marking the development of certain ideas in England, in regard to the subject of pensions for civil servants, and it is well worthy of study.^(a)

After first stating that the vote for superannuation and retired allowances in the year 1888-89 amounted to a gross total of £1,581,992 (\$7,698,764.07), exclusive of £671,388 (\$3,267,309.70), paid for pensions to the Royal Irish Constabulary, the Dublin Metropolitan Police, and other pensions charged on the Consolidated Fund, the commissioners reviewed the arguments advanced by the Commissioners of 1857, from the public point of view, against the contention that the only duty of the Government should be to pay adequate salaries, and leave its servants to make proper provision for their own future wants and those of their families, and concluded, like their predecessors, that, in spite of the heavy charge, public interest would be "best consulted by maintaining a system of superannuation allowances." They then took up the proposal of Sir Robert Hamilton that the pension system be abolished altogether by voting each year the whole additional sum which represents the calculated charge

^a See Report of Ridley Commission on Superannuation, pp. XIX-XXV.

entailed by the present pension scale, investing it separately in a government fund, the amount of each member's deferred pay, with compound interest, to be returned to him or his representatives on his separation from the service.

Rejection of Sir Robert Hamilton's proposal.

To this proposal the commission saw "fatal objections." Said they:

We can not accept the conclusion that the present pension is deferred pay in any such sense as that, whereas it is now terminable with the pensioner's life, its capitalized equivalent should go to his representatives, and this as a mere addition to the present heavy charge, with no corresponding benefit to the public in the shape of a contribution by a civil servant, or otherwise.

And whatever might be the proportion fixed between what should be regarded as deferred pay and the actual working salary, the immediate addition to the annual estimates would be very large; and seeing that these estimates now bear the noneffective charges imposed by the action of past generations, it would hardly be tolerated that they should also bear the burdens of the future.

The payment, moreover, of a lump sum is open to the obvious objection that in the event of improvidence or misfortune in the use of it, the retired public servant may be reduced to circumstances which might lead to his being an applicant for public or private charity.^(a)

Recommendation that deductions be made from salary.

Recognizing, however, that Sir Robert Hamilton's proposal had the two special advantages so strongly urged by officials and clerks of the service who had appeared before them, namely, that it would assist in the dismissal of the inefficient and afford relief to the families of clerks dying in the harness, they proposed to gain such advantages by deducting five per cent from the salaries of all employees, and returning it with compound interest on the separation of the employee from the service.

Their recommendation to this effect is thus set forth:

With a view both of levying some direct contribution from the civil servant towards his pension, and of providing at the same time a sum of money which, in the event of a man's death or retirement without pension, should be available for his representatives or for himself, we recommend a compulsory deduction of 5 per cent from all future salaries. An account should be kept in favor of each clerk, and in the event of his dying or leaving the service voluntarily or otherwise, before becoming entitled to a pension, he, or his representatives, * * * should receive back the whole of his contributions, with the addition of compound interest at the rate allowed by the Post-Office Savings Bank.

^aSecond Report of Commission on Civil Establishments. 1888. Report, pp. XX and XXI.

We think also that, while it would entail a very small extra charge upon the State, it would be fair and reasonable to provide that, in the event of the death of any pensioner before the total amount received as pension has reached the whole of the sum deducted from him during his service, his representatives should receive a sum equal to the difference between such total deductions and the amount received as pension.

It might be provided that the whole salaries should be voted annually, and the 5 per cent deductions be placed to a separate fund in the hands of the National Debt Commissioners, the amount due, as above, to each clerk, being secured to him by act of Parliament and being paid to him on the determination of his service. Under such an arrangement the State would, of course, have to receive in some form or other the sum standing to the credit of every person who becomes entitled to a pension.

On the other hand, it might be decided not to invest these deductions separately or to create any fund. The salaries might be voted annually less the 5 per cent, the estimates of each year receiving the advantage of the deductions and the State being liable (as under the other arrangement) for the amount of them, whenever they became due, or, in the event of a pension being attained, for the amount of such pension, towards which it would have received such deductions in relief.

If this whole charge, taking into consideration the conditions and regulations which we recommend, be actually calculated, it will be easy to determine the liabilities of each year. These liabilities in respect of new servants will, of course, increase annually, but they will ultimately be very much less than the present noneffective charges.^(a)

This means that the commission recognized the truth of the statement that "pension is deferred pay," but that they repudiated the idea that the deferred pay should be returned to the civil servant in any other way than as a pension. They took the stand that the deferred pay was practically the same as a premium paid to a life insurance company for the purchase of a deferred annuity on the condition that if death occurred prior to the beginning of the annuity the premiums paid would be forfeited to the company. They held that this deferred pay of the civil servants was only sufficient to provide the pension for those who survived to pensionable age and that if a refund of contributions was desired—and they appreciated the advantages of such a refund—an additional contribution would be necessary. In the same way the premium paid to a life insurance company for the purchase of a deferred annuity on the condition that if death occurs prior to the pension age the premiums paid will be returned must be larger than if the annuity is purchased on the condition that the premiums will be forfeited to the company in case of death. The commissioners recommended, therefore, that in order

^a Second Report of Commission on Civil Establishments. 1888. Report, pp. XXI and XXII.

to secure this desirable refund a compulsory deduction of 5 per cent be made from all future salaries. They argued that the compulsory saving of 5 per cent of salaries would not only furnish some assistance in the elimination of the inefficient from office and relief of deceased employees' families, but it would have the additional advantage of lightening to that extent the heavy charge on the State for payment of superannuation allowances. The plan they proposed was, in effect, a return to the old contributory plan established by the Act of 1834 and abolished in 1857 with the important difference that provision was made for a refund of contributions in case of death or resignation before the servant reached the pensionable age. The idea of funding the contributions was expressly repudiated, the logic employed by the Commissioners of 1857 in regard to that question being accepted as good.

Minor recommendations.

This recommendation constituted the gist of the Ridley Commission's report on the subject of superannuation in the civil service, but other important minor recommendations were also made. "With an eye to the injustice of having the pension system the spoil of the inefficient," they condemned clause 2 in the bill passed the previous year (the Superannuation Act, 1887) which gave power to the Treasury to grant retiring allowances to persons removed from office on the ground of their inability to discharge their duties efficiently. They recommended also the immediate repeal of clause 7 in the Act of 1859 which gave a compensation allowance to those retired on the pretext of "abolition of office." They took the view that any large reorganization of an office or offices should invariably be carried out by means of an act of Parliament, or at least by provisional orders in council approved by Parliament, and that the abolition of a single appointment should be effected by transferring the officer to another department, if possible, or by attaching other duties to him temporarily, or by not filling the vacancy when it occurred by promotion or otherwise.

The two reforms so frequently urged—compulsory retirement at a given age and calculation of the pension on the average instead of the final salary received the commission's careful consideration. With the Superannuation Commission of 1857 and the Select Committee of 1873 they agreed that it was absolutely essential to fix an age for compulsory retirement. They suggested 65 as the age. Said they:

There should be no exception to this rule, except in the case of certain scheduled offices, in which the officer if asked by the Government to do so, might be allowed to extend his services for a further period never exceeding five years.

It should be clearly understood that at the age of 60 a man may be required to retire by the head of his department upon such pension as by his length of service he is qualified to receive. He may, if he pleases, retire voluntarily, at this age, and the State should have the corresponding power of retiring him, if it be for the advantage of the service.^(a)

The proposal to calculate the pension upon the average salary during the whole period of service instead of upon the average salary of the last three years did not meet the entire approval of the commission, and they recommended that it be calculated instead on the last ten years' service. Said they:

We have satisfied ourselves that to calculate the amount upon the average salary throughout service would result in a reduction of pensions to an extent that would be altogether inexpedient, and we think, on the whole, that the case will be met by fixing the pension in proportion to the average salary of the last ten years of service. We do not propose any alteration in the existing scale of pensions, viz, for each completed year of service $1/60$ of the civil servant's salary, subject to a maximum of $40/60$, no pension being in any case awarded for less than ten years' service.^(b)

In this recommendation they were undoubtedly influenced by the contention of Sir Reginald Welby, when before them, that to calculate pensions on mean salaries instead of salaries ultimately attained to would cause too great a reduction in the pensions and might lead to a movement for increase of salaries, already a very difficult thing to control. He was of the opinion that the case might better be met by an extension of the number of years upon the average salary of which pensions are now calculated, and the commission appears to have shared his views.

The award of a pension for life after a service of only ten years was justified by the commission as right and politic, since it must at best be small, beginning at one-sixtieth of the salary, and could only be awarded in the case of a real and permanent breakdown of health. The Government is further protected, too, in the matter of disability allowances by requiring candidates for office to pass a strict medical examination.

The provision enabling a higher pension to be given for professional offices by adding a number of years to the actual service years was condemned by the Ridley Commission. Said they:

This was intended to meet the case of men coming into the service at a somewhat advanced age, and with special acquirements. But, in our opinion, such a man is better remunerated by a sufficient salary which, being an immediate charge, is likely to receive greater attention than a prospective addition to pension, and we see no reason why the pension should bear a higher proportion to the salary in these

^a Second Report of Commission on Civil Establishments. 1888. Report, p. xxiii.

^b Idem, p. xxii.

cases than in others. If our proposal, too, is adopted of taking the average of the salary for the last ten years as a basis, an officer who has earned a high and non-progressive salary will get the advantage to which he is entitled.^(a)

In closing their report on superannuation the commissioners thus summed up the benefits which they believed would follow the adoption of their recommendations:

If the above conditions are enforced, we believe that the pension system so amended will be equitable alike to the State and to the public servant.

The pension, though less in amount than at present, in consequence of its being calculated on the average salary of the last ten years of service, will yet in our opinion be adequate, and the public servant will have contributed something towards the charge. He will at the same time be secured the return of the whole of his contributions with compound interest in the event of his not coming on to the pension list.

The State, on the other hand, will be relieved from the heavy payments under the head of compensation allowances which it now has to bear, it being calculated that if these are omitted the charge for superannuation would be from 12 to 15 instead of 20 per cent, as at present, on working salaries. The State will also not only pay pensions at a lower rate, as explained in the preceding paragraph, but will also have received in aid of such reduced pensions a contribution of 5 per cent from the salaries of all those who become entitled to superannuation.^(b)

Criticism of the commission's chief recommendation.

While a casual reading of this report of the Ridley Commission gives the impression that a very plausible solution of a difficult problem for a country burdened with a heavy pension charge is here offered, more careful study shows that two important points were entirely overlooked by the commissioners when they made their chief recommendation. They neglected to consider, when they contemplated the cost of putting the plan suggested by Sir Robert Hamilton into operation, and condemned it on the score of costliness, the important part played by compound interest in all such calculations. In the second place, they failed to see that their proposal to make a deduction of five per cent of salaries to be refunded, but only in case of death or resignation before reaching pensionable age, coupled with the assumption that pension is deferred pay, was distinctly unfair to the civil servant who lived to pensionable age.

Sir Robert Hamilton's proposal that for every £100 (\$486.65) paid a civil servant £20 (\$97.33) should be deposited to his credit in the government savings bank was presumably based on the assumption that the amount of deferred pay was 20 per cent of salary. It has

^a Second Report of Commission on Civil Establishments. 1888 Report, p. xxiii.

^b Idem, p. xxv.

been shown that this assumption had its origin in the statement of an actuary in 1869 that the normal cost to the State of existing pensions was 20 per cent of past salaries, including compensations, or 12 to 15 per cent excluding compensations.

Sir Robert Hamilton overlooked the fact that much less than 12 or 15 per cent of present salaries—*probably* not more than from 7 to 10 per cent would have to be set aside to pay for future pensions, owing to the fact that interest would be compounding during all the years the sum for the pension was accumulating. Sir Herbert Maxwell made the same error, as has been pointed out, in stating to the commission that “the contributions which would have to be levied from pay and salaries to support a fund for the payment of superannuation on the present scale and conditions, has been variously estimated at from $12\frac{1}{2}$ to 16 per cent.”

It is clear that the establishment of the plan suggested by Sir Robert Hamilton would have meant a temporary increase in the already heavy charges paid for pensions, and on that ground alone the commissioners were unwilling to recommend it. Neglecting to take into consideration the operation of compound interest, they did not perceive the increase in the estimates would have been an increase of from 7 to 10 per cent only instead of from 12 to 20 per cent. This would have amounted virtually to an increase of that much in the general rate of salaries, but would have resulted finally, by the time all employees in the service at the time of the establishment of the plan were dead, in the complete abolition of the pension system and the full operation of a self-supporting savings scheme. Unfortunately for the success of his ideas with the commission, Sir Robert laid down principles merely, worked out no details to show how the principles should be applied, and had no statistics of the existing civil service to demonstrate how the cost of establishing his plan, although large, would be a saving in the long run, since a general increase in salaries of from 7 to 10 per cent must be much less than the total vote for pensions.

The proposal made by the commission in lieu of Sir Robert's plan was not fair to the employees for this reason: The commission admitted that the employees were already in fact suffering a deduction equal to the value of the pure pension without return of premiums; to withhold an additional five per cent of salaries on the condition that, if the employee entered on the pension which he had already theoretically paid for, the five per cent actually withheld from his salary should go to the State to reduce the cost, and in case of death only such portion of the five per cent accumulations should be refunded which had not been paid to him in pensions, was equivalent to requiring the employee who entered on a pension to pay for a pure

deferred annuity on the scale provided for by law and then in addition to provide for the purchase of a second annuity (which was never granted him) by contributing five per cent of his salary throughout the whole term of his service.^(a)

SUPERANNUATION ACT OF 1887.

The superannuation act which had been passed in 1887 while the Ridley Commission was investigating the civil establishments of the United Kingdom made provision for certain classes of civil servants not provided for by the Act of 1859. Mention has already been made of the provision contained in clause 2 for the retirement of inculpable inefficients and the disapproval of this clause expressed by the Ridley Commission.

Pensions to civil servants compelled to retire in consequence of an injury sustained in the actual discharge of duty without their own default are granted under clause 1 of the act. Pensions are also awarded under this same section to the widows and children of civil servants killed in the execution of their duty. The scale of pensions is fixed in each case by treasury warrant. This clause constitutes a repeal of section 5 of the Act of 1859, being more liberal in its terms.

The allowances granted to public servants under this section in case of injury are calculated in the Treasury warrant regulating the

^a To illustrate just what this proposal would mean, take a concrete case, and for simplicity of illustration suppose the salary paid in American money. Let the case be that of a person entering the service at 20 years of age, having a salary of \$100 a month, and retiring at the age of 60 on a pension of \$720 a year. The value of such a pension, payable quarterly, beginning at the age of 60 may be stated as \$7,787. Therefore, under the provision proposed by the Ridley Commission that, in addition to the theoretical deduction which he was already making to provide this \$7,787, the employee should also contribute 5 per cent of salary during his period of service, the result would be as follows:

That he had purchased a deferred annuity, by theoretical deductions, having a value of \$7,787, and that he had, by actual deductions of 5 per cent of salary improved by $3\frac{1}{2}$ per cent interest during a period of 40 years, purchased another deferred annuity having a value of \$5,169, so that in the aggregate, theoretically and actually, he had contributed \$12,956 to purchase a pension the value of which under any of the conditions laid down was to the employee but \$7,787. In case he accepted the pension he would forfeit all of his \$5,169 except such excess as might remain at his death over and above the amount of pension which he might have received, or if he resigned the day before the pension began, he would receive a refund of \$5,169 and forfeit his pension having a value of \$7,787, so that under only one condition would he have been fairly treated by the plan proposed by the commission and that would have been in case of death prior to the date of retirement, when his own accumulations with interest would have been returned. The only way then in which the commission's proposal could have been made fair to the civil servant would have been by a general increase of 5 per cent in salaries to correspond to the 5 per cent deduction. If this had been done the practical result, however, would have been the same as under the plan suggested by Sir Robert Hamilton.

grants on three different scales. The first applies to established officers of prisons or criminal lunatic asylums injured by the violence of a prisoner or lunatic; or established officers of a manufacturing department of the War Office or Admiralty in which the duties are exceptionally dangerous. The second applies to all established civil servants not falling under the above description and all hired persons whose duties are exceptionally dangerous. The third scale applies to all other hired persons employed in a public department. When his capacity to contribute to his support is totally destroyed, a member of the first class receives twenty-four-sixtieths of his salary, a member of the second class twenty-sixtieths. When his capacity to contribute to his support is materially impaired, a member of the first class receives eighteen-sixtieths of his salary, a member of the second class fifteen-sixtieths. When his capacity to contribute to his support is simply impaired, a member of the first class receives twelve-sixtieths of his salary, a member of the second class ten-sixtieths. When his capacity to contribute to his support is but slightly impaired, a member of the first class receives six-sixtieths of his salary, a member of the second class five-sixtieths. This is with the proviso that no award on the first scale, together with the allowance for which the injured man would be qualified by length of service, shall exceed the amount of his salary or £300 (\$1,459.95) a year, whichever is less, and that no award on the second scale together with similar allowance shall exceed fifty-sixtieths of his salary, or £300 (\$1,459.95) a year, whichever is less.

For hired persons employed in a public department, constituting the third class affected by this injury warrant, Scale III provides a gratuity of one-third of the employee's salary if his capacity to contribute to his support is slightly impaired, two-thirds if it is impaired, and the whole amount of his salary if it is materially impaired, or else £100 (\$486.65), whichever is less. When the injured man's capacity to contribute to his support is totally destroyed he receives an annual allowance exceeding by fifteen-sixtieths of his salary and emoluments the rate of retired allowance for which he would have been qualified by length of service if he had been a civil servant, provided that the total award does not exceed forty-five-sixtieths of his salary, or £300 (\$1,459.95) a year, whichever is less.

Provision is also made by this Treasury warrant for the widows (or mothers) and children of the men of these three classes who are killed while in the discharge of duty. Widows of men pensioned on the first and second scales receive not more than ten-sixtieths of the husband's salary, and widows of men classified under the third scale receive not more than eight-sixtieths. Children of the first class are pensioned until the age of fifteen years. Children of the second and

third classes receive small gratuities, the total gratuity for each family ranging from £8 to £50 (\$38.93 to \$243.33). (^a)

A gratuity of £1 (\$4.87), or one week's pay for each year of service, is paid under clause 4 of the act, on retirement, to persons not forming part of the permanent civil service but engaged temporarily. Those who have the benefit of this provision include a great many hired laborers of the dockyards serving under the War Office.

LAW UNDER SUPERANNUATION ACTS OF 1834, 1859, 1887.

A paper prepared for the information of the Ridley Commission in 1888 by Sir Reginald Welby gives a complete survey of the provisions of the three great superannuation acts in force, the acts of 1834, 1859, and 1887. The paper is here reproduced:(^b)

1. The grant of superannuation allowances to persons in the permanent or established civil service of the Crown is regulated by the Acts—

4 & 5 Will. 4. c. 24. (Superannuation Act of 1834)

22 Vict., c. 26. “ “ “ 1859

50 & 51 Vict., c. 67. “ “ “ 1887

For practical purposes the two latter statutes only need be considered. The greater portion of the Act of Will. 4. has been repealed, and the sections which are still in force are of an unimportant character.

2. In order to qualify a civil servant for the grant of superannuation allowance, he must—

(a) if appointed since the passing of the Act of 1859, have been admitted to the service with a certificate from the civil service commissioners, or hold an office specially excepted from this requirement;

(b) have given his whole time to the public service;

(c) draw the emoluments of his office from public funds exclusively;

(d) have served for upwards of 10 years;

(e) if under the age of 60, be certified to be permanently incapable from infirmity of mind or body from discharging his official duties; or have been removed from his office on the ground of his inability to discharge his duties efficiently.

(f) be certified to have served with diligence and fidelity to the satisfaction of the head of his department.

3. The scale of superannuation allowance is, for each completed year of service, 1/60 of the emoluments enjoyed by the civil servant at the date of his retirement, subject to a maximum of 40/60. If the civil servant has not held his office for three years, then the pension is calculated upon the average of his emoluments during the last three years.

Extra pension is granted to civil servants living in official houses. For the purpose of such pension the value of a house is reckoned at

^a For warrant regulating the grant of gratuities and allowances under section 1 of the Superannuation Act, 1887, see Appendix IV.

^b Second Report of Commission on Civil Establishments. 1888. Appendix, pp. 415 and 416.

one-sixth of the resident's salary, but in order to establish claim to pension in respect of a house it must be shown that income tax has been paid upon the house.

4. Pensions may be granted at a reduced rate if the misconduct or demerits of the officer appear to the Treasury to justify such a reduction.

5. Pensions may also be granted in excess of the usual scale—

(a) if the retiring civil servant has rendered any special services in the course of his career.

Such awards are of very rare occurrence, and are only made when the special services have been extraordinary in kind, and such as could not be considered as falling within the scope of the officer's ordinary duties.

(b) if the civil servant is compelled to retire in consequence of an injury sustained in the actual discharge of his duty, without his own default, and specifically attributable to the nature of his duty. The scale of such pensions is prescribed by a warrant made under s. 1. of 50 & 51 Vict., c. 67. A special pension can in no case exceed the amount of the annual emoluments of the office from which the civil servant retires.

(c) if the civil servant has served in a place which has been declared by the Treasury, under 39 & 40 Vict., c. 53, to be an "unhealthy" place. In such cases two years' service counts as three.

6. A higher pension than could be obtained by the scale mentioned in par. 3 can also be awarded to the holders of offices requiring professional or other peculiar qualifications not ordinarily to be acquired in the public service. The amount of the pension in such cases is arrived at by adding to the years of the officer's actual service a number of years varying with the nature of the office and the amount of time which may be expected to be necessary to qualify the holder for the due discharge of its duties.

7. When a civil servant is compelled by ill health to retire before he has completed ten years' service, he may receive a gratuity of one month's pay for each year of service.

8. Any pensioner under 60 years of age may, if his health permits it, be required to serve again in any position for which his previous services may render him eligible.

9. If a civil servant is killed in the execution of his duty, a pension may be awarded to his widow and children, the amount of which is regulated by the warrant referred to under par. 5 (b).

10. A civil servant whose office is abolished, or who is compulsorily removed from the service, in order to facilitate arrangements by which greater economy and efficiency may be secured, may receive a compensation allowance, calculated on the same scale as if he were qualified for a pension (see par. 3), but with the addition to his actual service of a number of years varying with the length of such service, as follows:

Under 5 years' service, addition of 1 year.

Above 5 and under 10, addition of 3 years.

10 and under 15, addition of 5 years.

15 and under 20, addition of 7 years.

20, addition of 10 years.

11. Persons not forming part of the permanent civil service, but engaged temporarily, are not entitled to superannuation allowance, but receive on retirement or discharge a gratuity of £1 [\$4.87] or one week's pay, for each year of service.

If, however, such a person is injured or killed in the discharge of his duty, a pension or gratuity may be awarded to him or his relatives as provided in the warrant referred to in par. 5 (b).

12. It should be added that the members of the diplomatic service and the members of the Royal Irish Constabulary are entitled to pensions calculated according to the rates laid down in the Acts 32 & 33 Vict., c. 43 and 46 Vict., c. 14, respectively; and that the award of pensions to the holders of certain high political offices is provided for by 32 & 33 Vict., c. 60. Pensions are also granted under special acts, 1865, 1872, and 1887 to colonial governors.

Note.—The Act 4 & 5 Will. 4, c. 24 directed that a deduction should be made from the salaries of civil servants who entered the service after the 29th August, 1829, as a contribution towards pension; this deduction amounted to $2\frac{1}{2}$ per cent on salaries under £100 [\$486.65], and to 5 per cent on salaries of £100 [\$486.65] and more. The deduction was abolished by the Act 20 & 21 Vict., c. 37.

It will be noted that the first qualification for a pension is the possession of a civil service certificate. That is a document issued by the Civil Service Commissioners certifying to the age, health, character, and education or other personal qualifications of the individual who receives it. A person may be an employee of the Government and not be pensionable, but as soon as he becomes "established," as the phrase is, he becomes pensionable. This occurs on examination or on appointment by the head of the department and the issue of the civil service certificate. In several branches, especially in the dockyards, there are a great many persons regarded as servants who are not established, but who may, after a time, become so. It is interesting to note that before issuing a certificate the Civil Service Commission subjects the candidate to a severe physical examination in order to lessen the chances of his early application for pension.

There are two exceptions to the rule requiring pensionable members of the public service to have certificates from the Civil Service Commission. Officers appointed directly by the Crown, as for instance, some commissioners and heads of departments, are exempted from the necessity of holding certificates from the Civil Service Commission. Officers appointed for their special professional qualifications are also exempted from the necessity of having certificates from the commission by virtue of Section IV of the act, which says that persons of "professional or other peculiar qualifications" may be entitled to superannuation, though they may not hold their appointments directly from the Crown, and may not have entered the service with a certificate from the Civil Service Commissioners.^(a)

^a See Sec. IV, Act of 1859, Appendix II.

The qualifications that the pensioner must have given his whole time to the public service and been paid out of public funds do not exclude any persons who would ordinarily be regarded as civil servants. The first excludes, for instance, auxiliary or supernumerary postmen, who may be cobblers or blacksmiths by trade and choose to eke out their incomes by devoting certain hours of the day to the distribution of the mail, having only one or two deliveries.

If the qualification in regard to the indorsement from the head of the department is not complied with, the full amount of the pension is not granted the civil servant. The Treasury makes a reduction according as the circumstances of the case may seem to warrant. A principal clerk of the Treasury before the Courtney Commission in 1903 said: "There are a fair number of cases in which a small deduction is made, say, not more than ten per cent. The cases in which a greater deduction than that is made are rare."

The fifth qualification as to length of service is very specific. The service must not be less than ten years, unless the holder retires on abolition or reorganization of office.

The sixth qualification for pension relates to the grounds for retirement from the service. The chief of these is attainment of the age of 60, the age chosen by the framers of the Act of 1859 as the age for voluntary superannuation. For the officer under 60 there were originally two conditions (now three) on which retirement on a pension was possible. They were: (1) in case of physical or mental infirmity, and (2) in case his place had been abolished on reorganization.

In case of ill health the officer is able to retire on a pension, provided he has been ten years in the service and the infirmity is certified as likely to be permanent. If he has been less than ten years in the service when he retires on account of ill health, he receives instead of a pension a gratuity of one month's pay for each year of service. If the invalidity pensioner recovers, the pension is not withdrawn except in the event of his declining reemployment in the public service if it is offered him. The power of recalling him to the public service is, however, in practice rarely exercised. He is free to follow whatever pursuits his condition may permit. The number of retirements for ill health short of 60 years of age is numerous. Of 14,185 civil servants retired with pensions during the ten years ending the 30th of November, 1901, 7,093 were retired for age, 6,585 for ill health, and 507 for abolition of office.

The Act of 1859 made retirement on a pension voluntary at the age of 60. It is now optional at the age of 60 and compulsory at the age of 65, but the Treasury is permitted to allow a retention in employment up to an age not exceeding 70, if satisfied that an officer's retirement at 65 would be detrimental to the service. This

regulation was established by clause 18 of order in council dated November 29, 1898.

Power was given to the Treasury by the Superannuation Act of 1859 not only to make a deduction from the full award of pension in case of misconduct or demerit, but also to award pensions in excess of the usual scale as a reward for special services, and to holders of professional offices, appointed at an age exceeding that at which public service ordinarily begins. In the case of officers required to possess professional or other special qualifications not ordinarily to be acquired in the public service the law provides that years not exceeding twenty may be added to the actual service for the purpose of calculating the pension. In practice an addition of ten years has been the maximum (except in very special cases), and since December 20, 1888, when a Treasury minute to that effect was passed, the power to add years has not been exercised in respect of any newly created offices.

COURTNEY COMMISSION, 1902.

The agitation begun by the civil servants soon after the passage of the law of 1859 for a change in the pension system continued down to the present year (1909). Since the present inquiry began, that agitation has resulted in the legislative enactment of September 20, 1909, which undertakes to overcome the objection of the civil servants to the forfeiture of their theoretical contributions, in case of premature death, by providing insurance benefits in lieu of a part of the pension. This constitutes in effect, as will be shown, an important modification of the whole theory underlying the pension system. This parliamentary action was based on recommendations made by a royal commission, of which the Right Hon. Leonard Henry Courtney was chairman, appointed in 1902, "to inquire whether it is possible so to amend the existing system of superannuation of persons in the civil service of the State as to confer greater and more uniform advantages upon those to whom it applies without increasing the burden which it imposes on the taxpayer."

APPOINTMENT OF COMMISSION DUE TO "DEFERRED PAY" COMMITTEE.

This commission was appointed in response to a request for its nomination from a body of civil-service clerks organized under the name of the "Deferred Pay Committee." A memorial signed by 50,000 of their number (the membership increased soon after this to 60,000 or 70,000) was addressed by them to the Treasury asking that, as there was a considerable difference between their view of the existing pension system and the Government's view, the Government

would appoint a commission to go thoroughly into the matter from every possible aspect, and obtain figures in connection with the problem to which the Deferred Pay Committee did not have access. This committee was formed originally of a number of civil servants selected from certain government offices. Later, subcommittees (22 in all) were formed in the leading towns of the United Kingdom. The smaller committees met from time to time in the different provincial centers, and large meetings were held at least once a year in London of representatives from all the subcommittees, with representatives from the leading public offices in London and from associations in the civil service, such as the Postal Clerks' Association, the Telegraph Clerks' Association, the Customs Federation, etc.

The first evidence heard by the Courtney Commission was from representatives of the Treasury respecting the existing system. They next gave hearings to members of the Deferred Pay Committee. They summoned also other members of the civil service who could give them information as to voluntary organizations which had been formed in various branches of the service for the purpose of providing benefits for civil servants and their dependents supplemental to the pensions given by the State. In further elucidation of the problem before them they heard witnesses with regard to pension funds and superannuation schemes applicable to the city of Manchester, the London County Council, the Great Eastern Railway Company, the London and Northwestern Railway Company, and the civil services of India and New Zealand. Three eminent actuaries were also summoned before the commission to define and explain the principles that would be involved in any change of policy.

GROWTH IN COST OF CIVIL PENSIONS SINCE RIDLEY COMMISSION.

The first witness to be called by the commission was Mr. T. L. Heath, a principal clerk in the Treasury. He had the following figures worked out to show the amount of the original estimates for pensions during each of the fifteen years that had elapsed since the Ridley Commission reported in 1888.

SUPERANNUATION AND RETIRED ALLOWANCES—ORIGINAL ESTIMATES.

Vote.	1888-89.	1889-90.	1890-91.	1891-92.	1892-93.	1893-94.	1894-95.	1895-96.
Superannuation allowances.....	\$1,489,568	\$1,533,911	\$1,543,873	\$1,637,422	\$1,633,971	\$1,793,602	\$1,871,797	\$1,977,215
Compensation allowances.....	756,896	735,508	717,337	673,767	640,203	600,920	553,467	537,140
Gratuities.....	9,733	9,733	14,599	13,626	9,733	9,733	9,733	9,733
Compassionate allowances.....	16,507	15,266	12,852	10,940	8,594	10,040	14,220	14,010
Prison officers commutations.....	36,499	40,392	43,798	45,988	47,692	33,301	31,613	27,296
Compassionate fund.....		3,407	3,407	3,407	3,406	3,407	3,406	3,407
Middlesex registry, pensions, etc.....						2,711	2,711	2,711
Mercantile marine, pensions, etc.....								
Total.....	2,309,203	2,338,217	2,335,866	2,385,150	2,343,599	2,453,714	2,486,947	2,571,512
War office.....	867,697	864,290	791,293	779,127	749,928	759,661	801,513	824,385
Admiralty.....	1,609,838	1,636,117	1,609,352	1,553,387	1,526,621	1,519,321	1,519,321	1,544,140
Customs.....	964,905	957,854	972,531	966,078	949,094	957,956	931,380	916,021
Inland revenue.....	1,138,975	1,096,593	1,044,083	1,018,889	1,025,863	1,019,001	1,028,574	1,053,602
Post-office, etc.....	854,377	865,634	886,287	931,964	1,013,269	1,066,153	1,117,606	1,159,633
County court officers, Ireland.....	5,378	5,377	5,378	5,377	5,377	5,377	5,377	5,377
Total.....	7,750,373	7,764,082	7,644,790	7,639,972	7,613,751	a7,781,392	a7,888,008	a8,071,475

Vote.	1896-97.	1897-98.	1898-99.	1899-1900.	1900-1901.	1901-2.	1902-3.
Superannuation allowances.....	\$2,071,469	\$2,134,345	\$2,171,418	\$2,244,771	\$2,263,312	\$2,387,057	\$2,523,266
Compensation allowances.....	500,558	459,835	422,909	395,033	381,641	354,014	330,061
Gratuities.....	12,166	12,166	12,166	12,166	12,166	12,166	12,166
Compassionate allowances.....	17,821	15,013	14,755	34,980	19,150	33,910	34,280
Prison officers commutations.....	23,384	17,729	13,490	9,402	5,631	3,849	2,350
Compassionate fund.....	3,407	3,407	3,406	3,407	3,406	3,407	3,406
Middlesex registry, pensions, etc.....	2,015	1,723	1,723	1,324	1,324	1,324	1,324
Mercantile marine, pensions, etc.....				59,186	56,266	52,183	49,643
Total.....	2,630,820	2,644,218	2,639,867	2,760,269	2,742,896	2,847,910	2,956,496
War office.....	845,798	853,097	862,830	893,976	875,970	917,364	939,234
Admiralty.....	1,578,693	1,593,292	1,593,292	1,661,910	1,671,643	1,657,530	1,703,762
Customs.....	896,288	900,750	908,517	935,249	941,940	933,570	934,280
Inland revenue.....	1,040,112	1,054,892	1,145,224	1,223,063	1,271,018	1,271,621	1,310,510
Post-office, etc.....	1,224,699	1,317,162	1,483,548	1,717,821	1,863,378	1,963,876	2,059,065
County court officers, Ireland.....	3,105	3,105					1,732
Total.....	a8,217,499	a8,364,793	a8,631,555	a9,256,983	a9,338,453	a9,538,335	9,905,079

a The sum of the items does not equal this total; the figures are, however, the equivalents of those in the original.

It will be noted that the return for 1902-3 showed that the charge for civil pensions, gratuities, compensation allowances, and all those allowances which came within the scope of the Courtney Commission's inquiry was £2,035,360 (\$9,905,079), exclusive of pensions awarded under separate acts to the Royal Irish Constabulary and the Dublin Metropolitan Police which brought the total up to something like two and a half million pounds. It will be observed that the pension charge as shown by the estimates had risen from £1,592,597 (\$7,750,373) in 1888-9 to £2,035,360 (\$9,905,079) in 1902-3. This increase in amount was explained by Mr. Heath to be due in some degree "to the expansion in the numbers of the civil service, but also

to the fact that in the departments which have increased in numbers the pension charge comes more into force." He showed how in the Post-Office, which was growing rapidly, there was nothing like the normal number upon the pension vote, while in other departments, where there was little growth in the number of employees, the relative number on the pension roll was much larger.

RELATION BETWEEN COST OF PENSIONS AND SALARY CHARGE CONFUSED WITH AMOUNT OF POSTPONED CHARGE MADE BY STATE TO PAY PENSIONS.

The members of the commission were desirous of comparing the amounts paid in the effective service (salaries) with the amounts paid in the noneffective (pensions). Mr. Heath pointed out that there was no fixed relation between them. He showed that the proportion of pensions paid for post-office employees to the salaries paid was something like 6 per cent only, whereas in the Customs the proportion of pension charge to salary charge was 30.6, the proportion being bound to decrease where the department was growing fast and increase as it stood still or reached an equilibrium. The average pension charge at the time throughout all the service seemed to be about 16 or 17 per cent of salaries. He tried to make clear the point which seems to have given rise to so much misunderstanding, as was seen in the investigation of the Ridley Commission, that there is no fixed and necessary relationship between present pensions and present salaries, since present pensions are awarded on the basis of past salaries, and are payments to persons who are the residue of a service of prior years, which may have been much smaller or much larger than at present. Said Sir Alexander Henderson:

"Take 1889, the year that is given here; the £1,600,000 [\$7,781,534], the number of the employees, and the salaries paid; then the figure £2,035,000 [\$9,893,595] would work out exactly, would it not, as the salaries to one date; they would bear the same proportion as the increase in the pension?"

"Not necessarily."

"Why not?"

"If the growth were continuous, it would be so, would it not?" interposed the chairman. "It depends upon whether the growth is continuous, the £2,035,000 [\$9,893,595] now charged may be said to have reference to an average charge of an effective vote of fifteen years ago. The £1,600,000 [\$7,781,534], of 1889 might have had reference to an effective charge of fifteen or twenty years before that; but if the growth during these periods had been continuous, and could be looked forward to being continuous in the future, so the pension charge would increase in proportion, would increase with the vote; it all depends upon the continuity of it?"

"It all depends upon the continuity of it."

"But also upon those changes which are constantly happening in the departments?" queried Sir Ralph Knox.

“Also upon the increase of departments. That would vitiate the calculation of a normal charge. Supposing the numbers remained constant over a series of years, you could get a normal charge.”

“And the rates of pay continued constant?”

“And if the rates of pay continued constant, you could get the normal charge. Then I think your comparison would be possible if there were no growth of salaries or numbers.”^(a)

This point seemed finally to have been made plain.

Through the questioning of Sir Ralph Knox the mistake made by Sir Herbert Maxwell and others at the time of the Ridley Commission's inquiry in supposing that the percentage of salary that would have to be deducted to create a superannuation fund that would pay the necessary benefits was the same as the average between the non-effective and effective votes, 12 to 20 per cent at the time of the calculation of 1869, was also made apparent. The fallacy of this view is well brought out in the testimony, and it was evidently fresh in the minds of the commissioners when the members of the Deferred Pay Committee came before them three days later to present their case.

Said Sir Ralph Knox to Mr. Heath,

“It has been stated now by you that in a certain class of departments the pension charge amounts to as much as 29 per cent, in another to 32 per cent, in another 4 per cent, in another 5 per cent, and in another 14 per cent, I think?”

“Yes.”

“And it has been stated elsewhere that such a percentage represented the addition that would have to be made to the salaries of the various departments in order to provide a fund for pensions. It has been stated, I think, before the last commission, that a calculated figure of 18 per cent gave the amount which would have to be added to the pay of everybody in order to give them the equivalent of the pensions?”

“I do not think that there is any necessary connection between the two things.” * * *

“In fact, as the amount of the pension charge at the present day represents the pensions on establishments of 20 or 30 years ago, they cannot have necessarily any connection?”

“No.”

“And your view would be that, supposing you wanted to ascertain what should be added or deducted from the pay of the various officers of the departments in order to provide the pensions, you would have to discount, as I should say, that charge. That is to say, you would calculate the present value of the deferred pension in order to provide the subsequent pension charge?”

“Yes * * * it would mean an actuarial calculation.”

“An actuarial calculation of the sum of money or the annuity to be paid or added to the pay of everybody in order to provide the deferred annuity at the termination of the man's service?”

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 8.

“Yes.”

“And the idea which has got into many people’s heads that there is a direct connection between the present charge for pension and the present charge for pay is, at all events to those who have given any consideration to the thing, an exploded idea?”

“Yes.”^(a)

The confusion caused in the minds of many by the testimony which Sir Reginald Welby had given before the Ridley Commission about the actuarial calculation made in 1869 as regards a normal establishment was cited. Said Sir Ralph:

“What Lord Welby roughly calculated was that certain salaries would produce, supposing the thing were constant, a certain constant charge for pensions?”

“Yes.”

“But the converse, or the reverse, is what I am driving at. What we want to know is what addition to a man’s pay or deduction from a man’s pay would produce the normal charge for pensioning him. That would be it, would it not?”

“Yes, I am not aware of any actuarial calculation having been made to determine that point.”

“At all events, the notion that was given utterance to in the recent commission is no longer accepted by the Treasury?”

“Exactly.”^(a)

The views of the Deferred Pay Committee were presented to the commission by two representatives of the London committee, Mr. Charles R. Moir, a chief examiner, and Mr. Herbert Rolfe, a clerk in the War Office, and by two representatives of provincial committees, Mr. H. Ellis, Collector of Customs at Manchester, and Mr. H. F. Dollond West, Collector of Inland Revenue at Hull.

They stated that the main point they wished to emphasize was that “pensions in the civil service are really deferred pay.” Their understanding was that from 16 to 20 per cent of their salaries was being withheld to pay pensions. They said they wanted the commission to find out what the real basis of deductions was and then make some rearrangement of the system that would be more equitable to different classes of the service. Considering that pensions were paid out of theoretical deductions from the salaries of all the civil servants, they held it inequitable that only those civil servants who reached the pensionable age received any benefit from those deductions. They thought that the amounts deducted from salary should be put into a fund and these amounts, with whatever interest they had earned, returned to the contributor or his representatives on his separation from the service. They held especially that widows and orphans of those who died in harness should have a claim on the deferred pay of their deceased relatives. If the imaginary deductions

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 9.

were more than sufficient to pay the pensions—and they thought 16 to 20 per cent of salaries would be—then they believed the difference should go into an insurance fund for the benefit of their dependents. If those deductions were not sufficient for the grant of both pension and insurance then they held that the system should be so revised, even if it did cost a little more, as to make that possible.

Asked by the chairman of the commission what he meant by saying that pensions are deferred pay, Mr. Moir said:

We understand that pensions are not mere addenda, charitable contributions, or anything of that kind, added by the Government, but that in fixing salaries and scales of pay the Government has in all cases made some pretty definite deduction from what we might call the market rate, and, having made that deduction, it is really equivalent to the Government having given the larger or full market rate of salary, and having asked the civil servant himself to contribute the amount of the deduction. That amount then represents pay deferred.

In every case when the Government takes on temporary servants and puts them on the establishment they make a reduction in the rates of pay, because a person going on the establishment will ultimately be entitled to a pension. For instance, in the War Office, it occurred that certain draughtsmen were brought on from what was then known as the temporary establishment to the permanent establishment. It occurs also in all the dockyards, when the workmen, who are temporary and non-pensionable, are brought on the establishment. In every case the deduction is made. In the Post-Office, also, whenever they bring on from the temporary to the established service, they make a deduction. These are general illustrations of what takes place regularly in the civil service. As you are aware, sir, there are two classes, what are called temporary or unestablished civil servants and established civil servants. The temporary civil servant presumably gets the full market rate of wages or pay for the work he does. The established civil servant does not get it, and so when there is a transposition from the one class to the other, a deduction is made—a definite, absolute deduction—because of the prospective pension that comes to the man if he lives to a certain age.^(a)

Arguing that if deductions were generally made, then the system operated unfavorably in the case of those civil servants who did not live to gain a pension, Mr. Rolfe said:

I am afraid when the present pension act was passed the whole subject of a pension system was not fully considered. That is our own impression, and it was considered sufficient at that time to provide a pension for the persons * * * who remained in the service of the Crown for the ordinary period of 40 years, but the desirability of providing for those who dropped out of service before the natural termination of their service was not considered.^(b)

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 12.

^b Idem, p. 13.

In further explanation of their contention that the existing system was really "a system of chance" and full of inequities, Mr. Moir said:

It works badly, in this way, that the man who does not live to gain a pension gains nothing from the proportion which has been deducted, assuming a deduction from his actual pay. One man, for instance—and we could give you many cases—may live to serve the Crown for 40 years, and be just about to draw a pension, and may die and get nothing. Another man may have served the Crown for the same or for a longer or shorter period; he may not have served the Crown so well, and yet he may live for 20 years to draw a pension. We think that any system which allows such an inequality in its operation is not satisfactory.^(a)

To this Mr. Rolfe added:

Of course, we can bring any number of specific instances, if they are desired, to illustrate this. For instance, we could give an instance of a man who previously served the Government in an unestablished capacity at a salary of £365 (\$1,776.27) a year, and who was put upon the establishment at a salary of £300 (\$1,459.95), and who lived for five years and then deceased, and who consequently lost about £60 (\$291.99) a year for a period of five years.^(a)

On the chairman's contending that, if the representatives of men dying in active service should receive the deferred pay which had been deducted from the civil servant's salaries an additional charge would be made on the State, Mr. Ellis said:

Well, then, even granting that, sir, as I said just now, that does not get rid—putting the case from our point of view—that does not get rid of the inherent injustice of the present system. The way you put it is this—that if a man dies on active service, and his money is not returned to his widow, the money goes to swell or to maintain the pensions of his more fortunate colleagues who live beyond the pensionable age. * * * That does seem to us to be a gross injustice.^(b)

At another hearing when Sir Ralph Knox, a member of the Commission, reminded Mr. Moir that "only the same charge is to be incurred," whatever the revision, Mr. Moir replied:

I may say, sir, we came to this commission with a view of trying to persuade them that the civil servants were entitled to something more because of the method upon which the Treasury have framed the scale of salaries on the basis of deduction of something like 16 to 20 per cent. Of course, if that is ruled entirely out of the terms of reference, we find the position is a little more difficult. We can not, of course, press that aspect of the question too much; still, we would like to ask the commissioners to consider it, with a view of making some report in this way, that although it may be very satisfactory for the Government to revise the pension system without costing anything, it would be very much more favorable from the civil servants' point of view that it should be revised, even though it did cost a little, sir.

^a Report of Commission on Superannuation in the Civil Service, 1903. Minutes of evidence, p. 14.

^b *Idem*, p. 43.

Mr. ROLFE. And not only desirable, but equitable, sir.

Mr. MOIR. Quite fair.

Mr. ROLFE. We base our claim for a reconsideration of the pension system to a large extent, upon the inequality of the present system.^(a)

REQUEST OF CIVIL SERVANTS THAT THEORETICAL CONTRIBUTIONS BE FUNDED.

The specific request of the deferred pay committee, as voiced by Mr. Rolfe, was that the pension system for the government employees should be "put upon a definite footing similar to schemes * * * which exist outside." They held that the existing pension system was "archaic," "old-fashioned," and less desirable than superannuation schemes developed since the adoption of the government system in 1859, by organizations like the Bank of England, the London and Northwestern Railway, the Cunard Steamship Company, and the Liverpool and the Manchester corporations. The characteristic features of all these superannuation schemes, as distinguished from the Government's pension system, was that they had a superannuation fund made up of contributions from the salaries of the employees and contributions from the employing body. The following quotations from the testimony of Messrs. Moir and Rolfe showed the reasons advanced by the civil servants for desiring that their theoretical deductions be funded in similar manner:

The whole system hitherto has been so vague, we think it would be very desirable to get it on a definite footing. A fund such as we contemplate would have that advantage, because, practically, a personal account would be kept of every man's own position in relation to the fund. * * * All these funds that we know anything of have got definite statements and definite accounts with their employees; an employee knows at any moment what his own title is exactly—how he personally stands. * * * Then, again, sir, the creation of an actual fund would have the advantage which these funds we have referred to have, that from time to time the possibilities of the fund might be reviewed. * * * It appears in their cases that they are able, as they value and examine their funds, to increase the benefits they can give. * * * Our chief view of the advantage of a fund is based on the existing funds of the railways, and so on. They seem to us to be very satisfactory to the recipients as a rule, and it was mainly on that ground we thought it would be desirable that the Government should also establish an actual fund.^(b)

The desire of the civil servants that the Government should put their imaginary deductions into a fund which should be invested for their benefit undoubtedly had its origin in the feeling that it was unjust for this "deferred pay" to be withheld from their dependents in case of their not living to receive themselves the pension their contributions would have earned. They thought that widows and

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 17.

^b Idem, p. 16.

orphans would have a claim that could not be denied on a fund to which the deceased civil servant had been a recognized contributor, the amount of his contributions and the accrued interest being definitely known and a matter of record. Mr. Moir stated that the most important thing that they wanted to guard against, in addition to destitution in old age, was "death during service" or "the leaving of widows and orphans." It was pointed out that one of the causes which led originally to the pension system was the fact that "the public would hear with very great regret of civil servants being destitute in their old age" and that "the Government should extend that feeling to the widows and orphans of all servants who die by the way."

REQUEST OF CIVIL SERVANTS FOR INSURANCE OUT OF SURPLUS THEORETICAL CONTRIBUTIONS.

It was assumed by the representatives of the Deferred Pay Committee that the amount which they believed to be deducted from their salaries was more than sufficient for the payment of pensions. There is, of course, no mathematical difficulty in calculating a proper deduction from a monthly salary or other salary that will create a fund only sufficient to pay a deferred annuity to the survivors. From an insurance point of view, the forfeiture of premiums by those who die prematurely is not inequitable, since the premium paid contemplates that forfeiture. Nevertheless, the assumption of the employees shows most conclusively the impracticability of any arrangement, in a general superannuation scheme, which carries with it a forfeiture by an employee. Their assumption was perfectly reasonable, too, in view of their belief that that deduction amounted to from 16 to 20 per cent of salaries. They knew that many of the superannuation funds maintained by railway systems were financed on a deduction of $2\frac{1}{2}$ per cent from salaries and $2\frac{1}{2}$ per cent from the employing body, making a total of only 5 per cent against the reputed deduction of 16 to 20 per cent by the Government. It was not strange that they should think, allowing even for the more limited pensions of the industrial schemes, that the difference between the amount presumably deducted by the Government and the amount presumably necessary should be sufficient to give them the additional insurance benefit.

"You want a sum at death and a sum on retiring from the service. Well, now, can you expect that in addition to what we have already given?" asked Mr. Bunn, a member of the commission.

"Yes, we do," was the answer, "the ground of our claim being that the Government have *calculated the pension to be worth more than it really is*, and have fixed the salaries accordingly, and in readjusting that, we want them to readjust it so as to provide funds for widows and orphans."^(a)

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 25.

After the review of first principles which the commissioners had had, a few days before, with Mr. Heath, of the Treasury, they were, of course, not inclined to accept without question the assumption of the Deferred Pay Committee that from 16 to 20 per cent of the civil servants' salaries was withheld in order to maintain the pension system. They remembered that Mr. Heath had said he knew of no actuarial calculation having been made to determine "what addition to a man's pay or deduction from a man's pay would produce the normal charge for pensioning him."

"Do you think you can prove, as a matter of history, that there has been a deduction of that kind contemplated?" said the chairman of the commission to the representative of the Deferred Pay Committee.

"Yes," answered Mr. Moir. "We rely largely upon the evidence given before the Royal Commission on Civil Establishments in 1886 * * * by representatives from the Treasury, Sir Francis Mowatt and Lord Welby. * * * Sir Francis Mowatt said, for instance, that when they gave a man £100 [\$486.65] a year they practically considered a charge of £118 [\$574.25] a year was being undertaken. That, as far as the taxpayer is concerned, so to speak, it was really a charge of £118 [\$574.25] a year."

"Can you tell us what that is founded on?" asked the chairman.

"That is our difficulty sir," returned Mr. Moir. "Throughout the Ridley Commission we find statements of that kind, varying in places from time to time, and with different speakers, but, as far as we can gather, the Treasury mind is that there is some deduction or that the proportionate value of the pension is 16 to 20 per cent. The statements varied in different places, but as far as we can get them together they form somewhat of a general statement to that effect. Undoubtedly the Treasury mind was apparently a little vague as to the exact proportion."

"You can not suggest upon what basis those figures are given?"

"We are not in an absolute position to say that," said Mr. Rolfe, "but we are in a position to say that Lord Welby stated that he had had a calculation made, and that his statement as to the proportion of deferred pay to actual salary was based upon that calculation. Of course we are not aware of the details of that."

"There is also a Treasury letter," added Mr. Moir, "written on the 1st of July, 1891, to the Board of Trade, where this passage occurred. * * * 'The conversion of temporary into permanent appointments, without any alteration of salary, involves an addition of 15 to 20 per cent to the charge.'" * * *

"You have no knowledge on what that is founded?"

"No, no actual knowledge."

"Have you any opinion yourself upon that?"

"Well, my impression, sir, for what it is worth, is that it is founded on the relation between noneffective and effective charges for the year."

"You think that it is a just method?"

"No, I do not, but if the Treasury have allowed it to operate, I think we are entitled to rely upon the fact that that is what has been actually taking place."

“What do you mean by the Treasury having allowed it to operate?

“Well, if in fixing any scale of salaries they have considered that the noneffective charge or part of the charge was 15 or 20 per cent, they have no doubt reduced the market rate of pay given to any particular class by that amount.”^(a)

The point of this is that Mr. Moir at least, and presumably other civil servants, too, had perceived the confusion of ideas which had arisen as a result of testimony before the Ridley Commission in regard to pension charges and the amount of deductions required for maintaining a fund, but thought that, whatever the basis on which the Treasury made deductions, the fact that they made them, regardless of the percentage of deduction or the scientific or unscientific basis for such deductions, was sufficient to justify the theory of pensions as deferred pay and the demand of the clerks for a more equitable distribution of the contributions. Said he:

What I meant was that even though the Treasury may have acted on a wrong basis, it does not follow that the civil servant should suffer because of that. It is not for us to justify the ground on which the Treasury or whoever fixed the rates of pay may have arrived at the proportion. What I mean, if I can make myself quite clear, is this: that it is quite possible that the relation between the noneffective and the effective charges does not bear the same proportion as the value of the deferment, as we call it, does to the pay of any individual civil servant. For instance, we are advised by our actuary that in a few years, say ten or more years, the relation or proportion between the noneffective and the effective charges will probably rise to something like 25 per cent, whilst at the time the Treasury were dealing with these matters the relation was something like 16 to 20 per cent, so that the proportion may be a varying amount, but the value of a civil servant's pension bears a constant relation to his pay.^(b)

Discussing the matter in detail, the representative of the Deferred Pay Committee and the chairman of the commission agreed that in calculating the pension charge it was important that the element of interest should not be forgotten and that the actual deduction would probably be much less than the ratio of the noneffective to the effective vote. How much less would depend on the rate of interest.

THE FACT OF POSTPONED CHARGE ESTABLISHED BUT AMOUNT NOT DETERMINED.

Sir Francis Mowatt, the permanent administrative Secretary to the Treasury—formerly Mr. Mowatt—was later called before the commission and questioned as to what he had meant in 1888 when he told the Ridley Commission that the real charge that the State had to undertake for a civil servant on £100 (\$486.65) a year salary was

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 12.

^b *Idem*, p. 13.

£118 (\$574.25) a year. "That has no reference to deduction," said he. "I meant no more than this: That the pension charge of an officer might be taken roughly at 16 to 18 per cent in addition to his salary." While it seems clear that he was thinking not of individual charges but of the charge of the whole service, grouping all cases together, since all individuals do not live to pensionable age, it is equally plain that his statement was a little misleading. It is not strange that the civil servants generally should have thought they had high authority for the contention that about 18 per cent of their salaries was being held back by the Treasury.

The origin and fallacy of the theory of a 16 to 20 per cent deduction was thus abundantly shown and admitted, but the theory of pensions being deferred pay remained substantially unshaken, although Sir Francis Mowatt declared that he had never heard of a public servant being reduced in salary on being transferred from a nonestablished to an established post. Members of the Deferred Pay Committee had told the commission that such was the common practice. When given the facts in a definite case, which had been cited to the commissioner, Sir Francis Mowatt said:

I could not answer without looking fully into the case, but I should say that under no circumstances would a man without some express explanation suffer a reduction of 15 per cent on being transferred from a nonestablished to an established post.^(a)

Mr. Heath, also an official of the Treasury, admitted, however, that deductions of *about 5 per cent* of salary were made on transferring workmen from the unestablished to the established service. Mr. Morton, a member of the commission, said to him:

"You were talking just now of two different classes of laborers in dock yards. You gave us an instance some time ago. It is well known that there are hired laborers and established laborers, and we are aware that the hired laborers receive a higher rate of pay than the established laborers."

"Yes," answered Mr. Heath, "the difference being that the established laborer receives about 5 per cent less."

"Yes, in point of fact, that is a species of contribution that he makes toward his future pension?"

"No, I should not put it that way."

"I should be glad to hear what your view is."

"It might be regarded as a contribution toward the cost of giving him pension rights, but of course it is not put aside; it is not accumulated. It has no relation to a system under which a fund is established?"

"Oh no, I am quite aware of that. It is a small contribution toward the cost of making a man pensionable."

"He receives less pay in consideration of pension, in point of fact?"

"It is by way of a set-off against the pension charge."^(b)

^a Report of Commission on Superannuation in the Civil Service, 1903. Minutes of evidence, p. 153.

^b *Idem*, p. 9.

REQUEST OF CIVIL SERVANTS THAT AMOUNT OF POSTPONED CHARGE
BE DETERMINED.

The members of the commission and representatives of the civil service having agreed that there was a deduction from salary but that it was less than 16 to 20 per cent, Mr. Rolfe defined the position of the civil servants thus:

We should like it to be established in the first instance, if possible, what is the actual deduction, if such deductions exist, which the civil servants at present suffer, and we feel that the Treasury only is in a position to have the necessary calculations made to establish that fact, if that fact can be established. It would then be seen whether the deductions at present made are sufficient in themselves to form a superannuation fund which would give benefits to survivors, and also to those who decease prematurely, but until that is definitely ascertained the position of the civil servant is that the deduction at present suffered is sufficient to provide the benefits for which we ask by the formation of a superannuation fund.^(a)

The chairman argued that the result of making payments to those who do not now receive payments, namely, widows and orphans, must mean smaller payments to pensioners unless the total pay to the civil servant was increased. The civil servants argued, on the other hand, that something additional would be available, if the funds were set aside, bearing interest. Pressed for an answer whether the civil service was prepared to take less payment to the pensioner, Mr. Moir said that he thought a reduction of pensions, if combined with insurance benefits, would probably be acceptable to them. Mr. Ellis also held that a small diminution of pension would be accepted by the service to insure provision for dependent relatives.

The sessions between the commissioners and the representatives of the civil service resulted, therefore, in a helpful clarification of ideas. It seemed to be conceded, on the one hand, that there was reason for thinking that pensions were, to some extent at least, deferments of pay and it was admitted, on the other hand, that there was no sound basis for the contention that the amounts deferred were as much as 16 to 20 per cent of salary. The civil servants' representatives admitted reluctantly, also, that if it was impossible to increase the total charge, the only way to secure the insurance benefits desired might be by reduction of pensions. They hoped, however, that the creation and investment of a fund might obviate that necessity.

The actuary whom the Deferred Pay Committee had consulted, Mr. Philip Lewin Newman, was later called before the commission and his testimony served to emphasize this clarification of ideas. He stated that they had wished to have certain benefits upon death

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 14.

before superannuation or upon death after superannuation, but before the amounts assumed to be paid in contribution would equal the pension paid in addition to the present pension, and that he had estimated for them what the additional cost would be for providing benefits on death before superannuation. He did not take into consideration that the charge was to remain the same and said that, if that had been a condition of his investigation, the only way in which he could have given them any plan by which they could secure payment on death before superannuation would have been by reducing the pensions or by requiring them to make a contribution. Such benefits could be secured only at the cost of the superannuation allowance or the cost of some contribution from the civil servant, such as a revision of the scale of salary; in other words, by either reduced pension or reduced pay. On being asked if he had advised the Deferred Pay Committee that they could get greater benefits by the institution of a pension fund instead of the maintenance of the existing system which charged the actual cost of the pensions each year to the annual estimates, he explained that he had done so, but only on the assumption urged by them that they were already suffering a deduction from their salaries of a larger amount than was necessary to give them the pension provided. Having no data to go on, he said he had not been in a position to decide on the truth of their assumption.

VOLUNTARY INSURANCE ORGANIZATIONS MAINTAINED BY CIVIL SERVANTS.

Evidence given the commission by members of the civil service regarding the voluntary insurance organizations maintained by them to provide against that calamity most dreaded by them—"death during service"—showed that there was a commendably high average of foresight and prudence in the service. They found that the largest of these organizations was the Civil Service Insurance Society. This society, which was then about twelve years old, was enabled by a special arrangement with an insurance company to effect insurance for civil servants on very favorable terms, the premiums being deducted quarterly from the salaries of the policy holders. They found that over 20,000 policies had been taken out for an aggregate sum assured of over £5,000,000 (\$24,332,500). The Civil Service Insurance Society also deals in annuities both immediate and deferred, and it had recently established in connection with its general business a widows' and orphans' annuity fund. The commission heard evidence also in regard to two old-established and prosperous departmental organizations known as the Customs Annuity and Benevolent Fund and the Inland Revenue Benevolent Fund. They found that the former was mainly a life assurance society and that the latter

undertook the provision of widows' annuities in return for the surrender of bonuses on policies of insurance. They found two similar organizations in the Postmen's Mutual Benefit Society and the Post-Office Insurance Society. The former had a membership of about 12,000 and provided a benefit averaging £25 (\$121.66) which was payable on death or on retirement by reason of ill health, and, in some cases, on dismissal or on voluntary resignation of employment. To the Post-Office Insurance Society all grades of the established postal service are eligible for membership. The members numbered then about 20,000 and the amount of the benefit varied from £50 to £100 (\$243.33 to \$486.65). A similar institution had been in existence for fourteen years among the Board of Trade surveyors under the name of the Board of Trade Surveyors' Mutual Trust. During that time the total sum paid out was nearly £5,000 (\$24,332.50), or an average benefit of about £165 (\$802.97). Another institution that the commission found very meritorious was the Civil Service Benevolent Fund, which had been established in 1885, was supported by the voluntary subscriptions and donations of civil servants, and applied itself to relieving the necessities of the widows and orphans of those who died either in the service or shortly after retiring on pension. The annual income from subscription was about £1,600 (\$7,786.40), the number of cases dealt with since 1885 numbering nearly 1,200. Though the amount of relief given in individual cases was not large, the fund accomplished a very useful work.

PER CENT OF SALARIES PAID FOR LIFE INSURANCE BY CIVIL SERVANTS.

An interesting statement was made by the commission in their report showing the per cent of salaries devoted to insurance by the clerks of various grades:

In some respects, the considerations which affect the civil servants whose salaries exceed £160 (\$779), and who may be distinguished as the income tax-paying body of the service, are not precisely the same as those which affect the wage-earning body. We have obtained, by the courtesy of the heads of departments, a return showing that the total number of officers receiving a salary above £160 (\$779) is 14,754, of whom (a) 11,827 or 80 per cent have salaries not exceeding £400 (\$1,947); (b) 1,075, or 7½ per cent have salaries exceeding £400 (\$1,947) and not exceeding £500 (\$2,433); (c) 1,104 or 7½ per cent have salaries exceeding £500 (\$2,433) and not exceeding £700 (\$3,407), and (d) 748 or 5 per cent have salaries exceeding £700 (\$3,407). Of the (a) class 26 per cent, of the (b) 22 per cent, of the (c) 27 per cent, and of the (d) 34 per cent do not claim any deduction of income-tax in respect of insurance premiums. The remainder in the (a) class pay in premiums on the average 4.6 per cent of their salaries, the (b) 5.5 per cent, the (c) 5.9 per cent; and the (d) 6.9 per cent. In other words, each member of the (a) class, on an average salary of £247 (\$1,202), pays away £11 6s.

(\$54.99) a year in life assurance premiums; the (b) class, on an average salary of £436 (\$2,122), pays away £25 4s. (\$122.64); the (c) class, out of £597 (\$2,905) pays away £35 2s. (\$170.81); and the (d) class, on an average salary of £950 (\$4,623), pays away £65 10s. (\$318.76). From this it results that the larger a man's salary is, the more, not only in actual money, but also in proportion to his salary, he devotes to life insurance. The general average for the whole 14,754 officers is that 3,842, or 26 per cent, do not claim any return of income-tax in respect of insurance, and that the remainder, on an average salary of £321 (\$1,562), pay away £16 12s. (\$80.78) each, or 5.2 per cent, in premiums. No similar statistics are obtainable with regard to civil servants having an income not exceeding £160 (\$779).^(a)

The return on which the foregoing statement was based is as follows: (b)

SUMMARY OF A RETURN FOR THE FINANCIAL YEAR ENDING MARCH 31, 1902, FROM THE SEVERAL DEPARTMENTS AS TO THE INSURANCE OF OFFICERS ON THE ESTABLISHMENT RECEIVING SALARIES EXCEEDING £160 (\$778.64) AND CLAIMING REDUCTIONS OF INCOME TAX FROM THEIR DEPARTMENTS IN RESPECT OF THEIR INSURANCE PREMIUMS.

Classified salaries.	Officers receiving salaries.	Amount of salaries received.	Officers not claiming reduction.	Officers claiming reduction.	Amount of salaries received by officers claiming reduction.	Amount of insurance premiums paid.
\$3,406.55 and over.....	748	\$3,530,724	256	486	\$2,248,080	\$155,071
\$2,919.90 and under \$3,406.55.....	410	1,313,089	112	296	943,940	55,230
\$2,433.25 and under \$2,919.90.....	694	1,888,460	188	504	1,382,130	81,285
\$1,946.60 and under \$2,433.25.....	1,075	2,371,299	232	835	1,869,364	102,518
\$778.64 and under \$1,946.60.....	11,827	14,040,870	3,054	8,682	10,440,414	479,053
Total.....	a 14,754	23,144,442	3,842	10,803	16,883,928	873,157

^a Including 109 officers with regard to whom no official information was available as to whether they claimed reduction or not.

TESTIMONY OF COMMISSION'S ACTUARY, SHOWING NECESSITY OF PROVISION FOR REFUND OF CONTRIBUTIONS.

The last witness called by the commission was Mr. Henry W. Manly, actuary and secretary of the Equitable Life Assurance Society of London and ex-president of the Institute of Actuaries. As Mr. Manly had only a short time before published a paper on the "Valuation of staff pension funds" which had drawn particular attention to his skill in handling problems connected with such funds the commission called on him for assistance. The problem they set before him was a very definite one—to tell them "what advantages could be conferred in exchange for the reduction of a quarter of a pension." They stated that there was objection to the existing system on the ground that it provided benefits for those who survived, while those who died in the service, or their representatives, received no benefits under it—a fact he had commented upon in his paper—and they had reason to believe from what witnesses had said

^a Report of Commission on Superannuation in the Civil Service. 1903. Report, pp. viii and ix.

^b Idem., Appendix, p. 218.

that the pension might be reduced by a quarter without diminishing the hold that the system had over the servants, or the power of dismissing them, or even the attractiveness of the service. They asked for no general criticism of the existing system, but wanted to know how it could be modified, in the suggested way, so as to be actuarially sound and at the same time be no additional tax on the country.

In the course of his testimony Mr. Manly was asked if he had any knowledge of similar organizations of pension funds that could throw light upon the commission's labors. He replied that he had knowledge of a great many pension funds, but they were all more or less different from the government scale. He went on to make some remarks about the characteristic features of prevailing funds that show well why it was not strange that so many civil servants of England were dissatisfied with the existing pension system. Said he:

Where there are funds and the men contribute a portion to those funds they always endeavor to get certain rules in by which they will get their money back somehow. * * * Or some portion of it, and although that diminishes—sometimes very largely diminishes—the retiring allowance, they do not seem to mind that so much as the getting their money back. For instance, it is a very common rule now that if a man withdraws, resigns, or is dismissed from the service, he shall have his own contributions back. That diminishes the power of the fund to give pensions at the end. * * * (The added sum from the employer) he does not get back if he withdraws, resigns, or is dismissed. * * * If he dies in the service—this is a very common rule—if he dies in the service his relatives shall receive what he has contributed, and what the firm has contributed. Sometimes they try to get in compound interest as well. * * * Now, the trouble with these funds is the desire of the members, the contributors, at any rate, to get their money back with interest if they can. And they are getting now very generally in these funds a condition that if after attaining the pensionable age, after entering upon the pension, the amounts which they receive in pension do not amount to their contributions, that the difference shall be paid to the relatives, all of which, of course—all these additional benefits—reduce the pension which they are able to get when they retire.^(a)

Asked if old age annuities were increasing, Mr. Manly said:

No; that is what we call deferred annuities; annuities to commence at a certain age. * * * There is something very peculiar in that, that nobody, or very few people think it is worth while to make provision for their old age by the way of purchasing old age annuities. They would much sooner see their money—and that brings us back to the old point. They want to see their money. They will invest their money for that purpose, invest it sometimes rather badly, I am afraid, but still if they invest their money they know it is there and they can leave it, but they do not like sinking as they call it, sinking the money on the chance of getting it back, even in double or quadruple sums hereafter. * * * They will provide for every-

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, pp. 179 and 180.

thing except old age; provide for sickness, provide for strikes, provide for anything—anything except old age; and—well, the largest industrial company, the “Prudential” devised a scheme—an exceedingly good scheme it was—by which for a certain fixed contribution of 2d. [4 cents] a week commencing under the age of 20 or so, they would provide on death the equivalent of 1d. [2 cents] a week, and that the other penny should be accumulated to provide an old age pension at the age of 65, which worked out very favorably, indeed, I think—very well indeed; but the number of those policies which they issued was very small compared with the total. Of course, if you mention the figure by itself, it looks large, but compared to the 8,000,000 of policies which they have, it is exceedingly small indeed, and I do not think that anything more favorable has ever been offered.^(a)

REPORT OF COMMISSION.

The results of Mr. Manly’s calculations were embodied by the commission in their report and formed the basis of their recommendation. That report is the last of the series of important reports made by the various commissions appointed in England to inquire into the subject of granting superannuation allowances to persons in the established civil service, and marks a step in the development of the English pension system. After noting briefly the conditions under which pensions are granted, the commissioners say:

The simplest and most exact statement of the relations thus created between the State and its established servants is that each servant is assured of payment of a definite salary or wage during the continuity of his service and of provision of a pension for the remainder of his life upon his retirement from the service, either upon reaching a certain age or through inability, due to medical disqualification or infirmity, to continue at work. But it has been contended before us that the pension thus secured, though deferred, is as much remuneration for the present services as a salary or wage immediately paid, that this salary or wage is less than what would have been paid had there been no pension, and that the difference thus deducted from the natural or market rate of remuneration is more than is necessary to provide for the deferred pension; and upon these premises a claim has been urged as of right, to further payments to civil servants and their representatives on retirement or death.^(b)

Pensions acknowledged to be deferred pay.

The first question in dispute, as to whether pensions are deferred pay, was answered by the commissioners in the affirmative, but with an important qualification. They held that *a deferred pension is remuneration for services*, as much as an immediate money payment, but that it is, in part at least, remuneration for continuity of service contingently payable on the continuity being maintained during a defined period and not accruing from year to year.

^a Report of Commission on Superannuation in the Civil Service 1903. Minutes of evidence, p. 180.

^b Idem. Report, p. vi.

Theoretical deductions from salary held to be only sufficient for pension.

The second question in dispute, as to whether the deductions made from salaries were more than sufficient, even if a fund were created, to provide the pensions, was answered by the commissioners in the negative. It will be noted, however, that they failed to prove their point by any mathematical demonstration as to the amount required for pensions and the amount actually deducted from salaries for that purpose. They merely entered a general denial. Said they:

The allegation that the salary of the civil servant is diminished by more than is necessary to provide for his contingent pension is entirely fallacious. It must be remarked that no sum is in fact set aside so as to provide for this pension, the pensions being paid as they fall due and included as noneffective pay in the yearly estimates submitted to Parliament so that the State discharges its contractual obligations to its servants by appropriations of the precise sums as and when they become due. Nor would the condition of things be changed if a pension fund were created by setting aside annual amounts which, with accumulations, would be adequate to meet the ultimate charges. The amounts so set aside would have to be ascertained by strict calculation, so as to be enough to meet these charges, and hence they could not be more than sufficient for this purpose, unless in making the calculations, discounting the future, we proceeded upon one rate of interest and then assume a higher rate of interest possible during the process of accumulation.^(a)

Funding of theoretical contributions held to be not justified.

Admitting that much might be said in favor of the creation and accumulation of a fund as a matter of accounts and as a means for charging each year as nearly as possible with the cost of administration of that year, the commissioners nevertheless held that the establishment of such a fund would necessitate the creation of a new office with new labors and new expenses and could hardly be justified. Their conclusion, therefore, was that the remuneration must be considered as pay plus pension, and as such is offered to and accepted by those who enter the service, and "the theoretical contingent addition to the pay is neither more nor less than the theoretically discounted value of the pension."

Recommendation that pensions be reduced one-quarter and difference given in insurance and cash.

While thus arbitrarily denying that a larger per cent of salary was deducted than was necessary to pay pensions, the commissioners nevertheless conceded that the terms of service might be modified without detriment to the service so as to secure a wider distribution of benefits among all the members of the service, and quoted Mr. Manly as

^a Report of Commission on Superannuation in the Civil Service. 1903. Report, pp. vi and vii.

authority for their recommendation that pensions be reduced from one-sixtieth to one-eightieth of salary for each year of service, and the amount thus saved be expended for assurance benefits.

As set forth in the report of the commissioners:

Mr. Manly based his calculations upon a division of civil servants into three classes—wage earners, lower division clerks, and higher staff officers, crediting each class with an approximately normal scale of pay and increments of pay, and he took as approximately representing the ratio of numbers in each class the figures 83, 15, and 2. He used the Life Office tables known as OM, supplemented by some facts of experience in the civil service, and he proceeded upon an assumed rate of interest of 3 per cent.

Upon the data thus described Mr. Manly proceeded to ascertain the value which would be withdrawn from the remuneration of civil servants by reduction of one-quarter of their prospective pensions, and then went on to calculate the results of various proposals for redistributing this withdrawn quarter amongst members of the service. His work was directed towards ascertaining in terms of a year's pay, what might be given to the representatives of a civil servant dying in the service, or what might be paid in addition to his pension to a person retiring, whether on reaching the full limit of his possible service or prematurely through incapacity to discharge the duties of his position.

The results communicated to the commission were as follows:

(1) If the proceeds of this reduction of pension were to be given back wholly to the representatives of those who died in the service, it would enable the State to give to their representatives nearly two years' pay at the time of death.

(2) If the proceeds of this reduction of pension were to be shared by those who retired from the service as well as by the representatives of those who died in it, one year's pay could be allowed to those who retired through old age and to the representatives of those who died and as many fortieths of one year's pay to those who retired prematurely from ill health as corresponded to their completed years of service.

These benefits will still leave a slight margin of undistributed value which would be just exhausted if, in the case of servants retiring prematurely, it was provided that in the event of death before the sum allowed at retirement plus pension subsequently received amounted to one year's salary, the deficient balance should be paid to their representatives. On the other hand, the margin would be slightly overpassed if one year's pay were given to the retiring servant in addition to the pension.^(a)

Having considered these two alternatives, the commission recommended the latter, saying:

We arrive at the following conclusion, that *in lieu of the present system* there should be secured pensions on the same conditions, except that they should be calculated on the base of one-eightieth instead of one-sixtieth for every year of service; plus a year's pay to

^a Report of Commission on Superannuation in the Civil Service. 1903. Report, p. xi.

the representatives of the civil servant dying at any time in the service, and to a civil servant retiring after 40 years of service; and to a civil servant retiring by reason of ill health with less than 40 years' service as many fortieths of a year's pay as years he has served, coupled with a provision that if he should die before this payment and the pension subsequently received amounted to one year's pay, the deficiency should be paid to his representatives.

The commission recommended further that the new system, if adopted, should be extended to all classes of pensionable servants, both wage-earning and salaried. They were of opinion that "the advantages of a money payment being secured in case of death without the pressure of periodic demands for the payment of premiums would be generally appreciated," especially by the wage-earners, and thought that "the risk that the habit of prudence would be endangered by such a provision would not be realized in practice." Said they:

We attach great weight to the principle of similarity of treatment of all classes of pensionable servants so that all may feel that they are working under a common system, and that in the not unknown cases of a servant passing from one class into another no embarrassment may arise from the fact that his vested interests are undergoing a change which must be taken into account.^(a)

Minority report of commission adverse to any change.

The Courtney Commission was not unanimous in its findings. Two of its commissioners, Sir Ralph H. Knox and Mr. E. W. Brabrook, dissented from the views of their colleagues, and presented a minority report. They held that it was impossible, without increasing the burden of the taxpayer, to confer on civil servants greater and more uniform advantages than those granted by the existing system. They did not consider the plan recommended by the majority of the commission as more advantageous or more uniform than the existing one. They thought it wise, therefore, to let well enough alone. Said they:

What is called a pension in the civil service is merely the continuance, during the later years of life, of pay promised for a whole life service, during a period when services, if rendered, would probably be useless, and, in many cases, worse than useless. The payments made for the 61st or 66th years of life are no more deferred pay than those made for the 60th or 65th.

This is the present excellent charter of the civil service, and it is not only under this system, but because of it that the English civil service has earned its high reputation for fidelity, zeal, and independence. The advantages of this life provision are given wholly at the charge of the State, and in their present form they have attained

^a Report of Commission on Superannuation in the Civil Service. 1903. Report, p. xii.

the objects in view. The same system has been introduced into very many establishments of the highest standing in the country, where continuous, zealous, and thoroughly honest service are the main requirements.^(a)

The commissioners who signed the minority report dissented particularly from the view of their colleagues that a cash payment should be made the representatives of the civil servant in case of death; in other words, that life insurance should be furnished him out of his pension. They contended that it were better that it be furnished out of his pay. Reduced pension or reduced pay were clearly the only alternatives. Reduced pension meant a change of law; reduced pay meant continuance of the existing system, since the great majority of the civil servants were doing that very thing, buying insurance for their families and paying for it out of their salaries. The argument of the minority was as follows:

The provision most desired by the great mass of the service is the payment in case of death of as large an amount as possible, approximating at least to the maximum rate of pay which a clerk may reasonably hope to reach, and not a sum governed by the creeping salary of the year in which he may prematurely die.

The best, indeed the only method of obtaining this, is the system of life insurance, for which it is far better that the civil servant should provide from his pay than from his pension. It needs but a little self-denial in the early years of life on the rates of pay now current to make some provision, and the Government having sanctioned the deduction of premium from monthly and quarterly salaries before the salary is paid, the best security is obtained for regularity of payment with the least possible sense of burden on the part of the insurer. The scheme now proposed, however, seems to offer a premium on improvidence. A man is encouraged to sacrifice the provision made for his old age, though but sufficient to maintain him in decent comfort, in order that he may avoid the stress of making a present payment, all the prevailing influences towards thrift being thus inverted. * * *

That this view is sound is shown by the remarkable statistics of insurance referred to by our colleagues as regards civil servants whose incomes are in excess of £160 [\$778.64] a year. That it also applies largely to men whose income is small is evidenced by the numerous insurances effected in the postal service, and also may be inferred from excellent movements which have lately been made in connection with two great friendly societies for insurances for their members up to £200 [\$973.30]. * * *

The scheme of our colleagues disturbs the present excellent system in order to substitute a benefit which the vast majority of those who require it can and do already provide for themselves, and which is of no value to those who do not, because they need not provide it.^(b)

^a Report of Commission on Superannuation in the Civil Service. 1903. Report, p. xv.

^b *Idem*, pp. xvii and xviii.

Colloquies which took place between Mr. Manly and the minority commissioners at the hearings suggest that the latter may have felt that their views would not be questioned by expert authorities. Said Mr. Brabrook to Mr. Manly:

"The existing contract is the compulsory insurance of a deferred annuity on nonreturnable premium; and taking off one-fourth of that gives an equivalent compulsory endowment insurance of one year's salary?"

"Yes."

"That would apply to all civil servants whether male or female, or whether bachelors or otherwise, would not it?"

"I presume I would make it apply to all."

"If it be the fact that from one-fifth to one-third of the civil servants are better otherwise provided for, is not it a little hard to make them all accept this compulsory insurance which they do not want?"

"Well—"

"I have reason to think that the general body of civil servants, having salaries above £160 [\$778.64] a year, do now insure their lives for the benefit of their families to the extent of two or three years' income. Is there any necessity for making compulsory insurance of any further sum?"

"I can not say that there is any necessity for it."

"You are giving them by the deferred annuity a benefit which they certainly would not insure voluntarily for themselves."

"Quite so."

"And you are now proposing to deprive them of a portion of that benefit for the purpose of being applied to an insurance which they do provide for themselves?"

"Yes; but so far as I understand the question we have before us, it has rather been raised by the civil service themselves, has it not?"

"By a portion of the civil service?"

"By a portion of the civil service."

"And my own impression is that is not shared by the more well-informed portion of the service?"

"I have no knowledge, of course, of that." (^a)

Toward the close of Mr. Manly's testimony, after he had explained the way in which he had made his calculations, Sir Ralph Knox said:

"The scheme as sketched by you I think is very ingenious, and has its attractions. There is a persuasiveness in the direction of trying to make a man believe that he is not losing anything. The way in which you give ingeniously these sums back, the six years' purchase at 60 years of age, and so forth, makes up his old age pension to him at that period, and you try to persuade him therefore, that he is not losing anything at all, and I think that is the ingenuity of the scheme, but still the fact is none the less that he does give up upon his maximum pay twenty-five per cent of the ultimate pension?"

"Oh, yes; what he gives up is the equivalent of what you are going to pay to the families or the relatives of those who die."

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 181.

"You say you think it would be attractive, but as compared with the system of insurance in which a man in these higher classes can secure £300 or £400 [\$1,459.95 or \$1,946.60] from the time that he enters the service by a very small payment at 20 years of age, as compared with that, do you think that this is distinctly an advantage, so as to present an attraction?"

"You must not ask me to say that anything can be substituted for life insurance."

"I am quite satisfied with that answer."

"We say it is the best thing a man can do to insure his life." (^a)

Sir Ralph and Mr. Brabrook not only disagreed with their colleagues, but predicted that the proposed changes in the law would not be acceptable to the members of the civil service. In concluding their report they said:

If the present civil servants who are in good health were given the option of accepting these changes, we should be surprised if many of them should decide to do so, and we are unable to join in the recommendation of these changes for future entrants, inasmuch as they involve a reduction and redistribution of the present pensions which to us seem most inexpedient, and would be unequal in their effect. (^b)

WORKMEN'S COMPENSATION ACT OF 1906.

The Workmen's Compensation Act was passed in 1906. With that exception there was no more legislation relating to the pensioning of civil servants, after the passage of the Superannuation Act of 1887, until the present year (1909). Persons engaged in manual labor and other employees whose annual earnings do not exceed £250 (\$1,216.63), including civil servants, are entitled, under the terms of the Workmen's Compensation Act or one of the schemes under and in substitution of that act, to compensation for injuries suffered in the course of their employment. Members of the civil service not entitled to compensation for injury under the ordinary law (Workmen's Compensation Act) are pensioned under the old law (the Superannuation Act, 1887), and the Treasury warrant under it. The warrant no longer applies to persons entitled to compensation under the Workmen's Compensation Act.

The employees of the Admiralty and War Office have almost universally accepted the terms of the Scheme of Compensation (No. 116), in case of injury to workmen in government establishments, which was established in May, 1903, and revised December, 1907. This is accepted by them in lieu of the provisions of the act itself. These schemes have to be approved by the Chief Registrar of Friendly Societies. This particular scheme for workmen in government establish-

^a Report of Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 185.

^b Idem, Report, p. xviii.

ments was certified by the Chief Registrar of Friendly Societies under date of December 16, 1907, as providing scales of compensation not less favorable to the workmen and their dependents than the corresponding scales in the Workmen's Compensation Act, 1906.

The main features of this scheme are as follows: When a government workman dies from injury received in his work his dependents, in case they are wholly dependent on him, receive a sum equal to his earnings during the three years next preceding the injury, or the sum of £150 (\$729.98), whichever is the larger, but not exceeding in any case £300 (\$1,459.95), and half that sum in case they are only partially dependent on him, minus in either case the amounts of weekly payments that may have been paid in the interval between the time of his injury and the time of his death. If the period of his employment has been less than three years, the amount of his earnings during the three years is deemed to be 156 times his average weekly earnings during the period of his actual employment by the Government. In any case in which the authorities of a department consider that the interests of a workman's dependents would be better served by a pension to the widow or mother (where there is no widow) than by a lump sum, the Treasury may deduct a portion for the dependent child or children, if any (this portion must not be more than one-half of the entire amount if there is only one child or two-thirds if there are more than one), and grant a pension to the widow or mother equal to the annuity which the remainder of the lump sum would purchase, according to the post-office tables for the purchase of immediate annuities. On the death of a workman leaving no dependents a payment of not more than £10 (\$48.67) is made to cover the reasonable expenses of his medical attendance and burial.

When incapacity for work results from the injury, the injured workman receives, for the period he is on the "Hurt List" on account of the injury, half his average weekly earnings during the previous twelve months or for any less period during which he has been employed by the Government. In addition, he receives free treatment in a hospital or free medical attendance at home. If incapacity for work continues beyond the period for which the workman receives "hurt pay," an allowance is paid him. This is twenty-four sixtieths of his average weekly earnings during the previous twelve months or during any less period of employment in case his capacity to contribute to his own support has been totally destroyed, eighteen sixtieths when it has been materially impaired, twelve sixtieths when it has been impaired, and six sixtieths when it has been but slightly impaired. Allowances by way of compensation for injury continue only during the continuance of the incapacity, and in cases of doubt

they are granted in the first instance for a limited period, renewable only upon a further medical certificate.^(a)

One or two minor departments have introduced regulations compelling their employees to purchase life insurance from some private company, but such regulations are applicable only to employees not entitled to superannuation privileges. The arrangement is at present experimental and only upon a very small scale. It is not encouraged by the Treasury. Life insurance can be effected and immediate or deferred annuities can be purchased either from the National Debt Commissioners or through the Post-Office.

SUPERANNUATION ACT, 1909.

The general scheme of providing life insurance in substitution of part of the pension recommended by the Courtney Commission was enacted into law on September 20, 1909, six years after the commission had submitted its report. In the interval, a nonofficial ballot was taken which showed that, contrary to the predictions of the minority members of the Courtney Commission, the proposed change was favored by a large majority of civil employees.

MAIN FEATURES OF THE PRESENT LAW.

The scheme finally embodied in a bill and presented to Parliament differs somewhat from that presented by the Courtney Commission. The changes were made in accordance with the recommendations of a committee of actuaries appointed by the Treasury to review the work of the commission. They reported that a more liberal life-insurance provision could safely be given by reduction of the pension one-quarter than that suggested by the commission. Provision was accordingly made that for male civil employees entering the service after the passage of the act the superannuation allowance should be one-eightieth instead of one-sixtieth of the annual salary for each year of service, as was the case under the Act of 1859. Authority was then given the Treasury to grant to a retiring civil employee

^a Regulations with regard to the payment of salary and wages during sick leave are charged throughout the civil service to the effective vote, and do not form part of the superannuation scheme. Sick leave on account of injury is granted under departmental regulations, as in the case of ordinary illness. The regulations vary in different departments. In some cases the ordinary sick leave regulations apply, while in others sick leave is allowed at a higher rate of salary for a longer period in cases where the illness is due to an accident arising out of the officers' official duties than in cases of ordinary illness. In cases of ordinary illness an established civil servant may be allowed (if necessary) six months' sick leave on full pay, followed by six months' sick leave on half pay. If any further leave is required, and there is a reasonable probability of the officer's recovery, he may receive for any such further period of sick leave the same rate of pay as if he had been retired on pension.

who had served not less than two years, *in addition* to the superannuation allowance (if any) or the gratuity (if any) available under section 6 of the Superannuation Act of 1859, a lump sum equal to one-thirtieth (instead of one-fortieth, as recommended by the Courtney Commission) of the annual salary multiplied by the number of years of service, provided that the additional allowance should in no case exceed one and one-half times the amount of the annual salary and emoluments. To discourage continuance in office after the age of 65, provision is made that this additional allowance shall be reduced one-twentieth for every completed year served after attaining that age. By order in council dated November 29, 1898, all persons in the established civil service are liable to compulsory retirement at the age of 65. The power of retention, in special circumstances, for a period not exceeding five years, is, however, lodged with the Treasury. This provision in the Act of 1909 for further reducing the pension in case of such retention is evidently intended to discourage the exercise of such power, and to force practically everybody out of the service at the age of 65. In the case of an employee dying after five years' service, while still employed in the service, his legal representatives receive a gratuity equal to the annual salary of his office and emoluments. If, however, he is over 65 years of age when he dies the amount received by his representatives is reduced by one-twentieth for each year of service rendered after he has attained that age, another discouragement to remaining in office after the age of 65. In the case of an employee dying soon after retirement and before the sums actually received by him at the time of his death on account of superannuation allowance, together with the sum received by him by way of additional allowance, equal the amount of his annual salary and emoluments, a gratuity equal to the deficiency is granted to his personal representatives. While the act applies only to future entrants into the service, the option is given male employees under 60 years of age of accepting its provisions. In that case, the additional allowance payable on retirement is increased by a bonus of one-half of one per cent for each year served before the passage of the act. With these modifications, the provisions of the various superannuation acts will still apply with respect to the qualifications for obtaining superannuation allowances and gratuities, to the manner of reckoning years of service and amount of annual salary and emoluments, to the diminution of superannuation allowances, and to the determination of questions by the Treasury.

A bill along these lines "to amend the Superannuation Acts, 1834 to 1892," was introduced in the House of Commons on May 19, 1909. It was referred to a standing committee which considered it on July 16, and made some slight verbal changes. The amended bill was then sent to the House of Lords on August 30, where section 6 was amended, and on September 20 it became a law.

· DISCUSSION OF THE ACT IN PARLIAMENT.

The passage of this important bill through Parliament was marked by no notable discussion. On the second reading of the bill in the House of Commons slight objection was made to it by certain members, because its benefits were not extended to unestablished as well as to established members of the civil service, because employees over 60 years of age did not come within the purview of the bill, and because the compensation to be paid on abolition of office was limited to the amount paid on retirement by reason of ill-health. In answer to these criticisms, Mr. Hobhouse, financial secretary to the Treasury, explained the intent and purpose of the bill, reviewing briefly the history of the movement which had led to its introduction, defending the points attacked, and laying emphasis on the fact that the bill made much more liberal provision for the civil servants than they had ever hoped to obtain. As his statement shows the Government's attitude toward the measure, the greater part of it is here given. Said Mr. Hobhouse:^(a)

I think the reception which the bill has had at the hands of hon. gentlemen who have addressed the House has shown not merely that the bill itself was desired by the civil servants, but that the provisions of the bill, now that they have been examined by the civil servants, have proved eminently satisfactory to those servants. I may perhaps remind the House in what circumstances this bill has come into being. Throughout the four or five years between 1898 and 1903 there was considerable movement on the part of the civil servants in regard to the terms of superannuation, which, owing, I think, entirely to a misconception on their part, they thought involved a very considerable reduction in their pay, and also resulted in a comparatively small number of those who contributed to the pension fund ever receiving any return from that fund. Owing to that feeling on their part, a movement was started by the civil servants asking that the whole terms of superannuation should be reconsidered and altered, and so strong was that feeling that a commission was appointed under the presidency of Lord Courtney, to go into the whole terms or the superannuation of civil servants, and that commission made certain definite recommendations which perhaps the House will allow me to recall to their recollection. Before I do that, however, I should like to point out that the original demand of the civil servants was a very limited one; it was then confined to asking that there should be a refund of accumulated deductions from pay in case of any civil servant who died while still in the service of the State. It was a very limited demand, confined strictly to that request. The Courtney Commission made certain definite recommendations. They suggested the alteration of the scale of pensions from one-sixtieth of the pay for every year's service to one-eightieth of pay for every year's service, and they also suggested a gratuity of a year's pay in the case of a civil servant dying in the service, or upon his retiring after forty years service. They also

^a Parliamentary Debates, House of Commons, Vol. 7, No. 88, p. 766.

suggested that in the case of a civil servant who retired with less than forty years' service, he should get a gratuity of one-fortieth of a year's pay for each year's service.

These recommendations of the Courtney Commission were submitted to a plebiscite of the whole of the civil service, or so much of the civil service as can be reached by the arrangements of the Deferred Pay Committee. I need not go into the whole history of the plebiscites—there were two such plebiscites, and the last was taken on the simple issue whether they preferred the Courtney recommendations or whether they preferred the terms of the existing civil service superannuation, and the result was an overwhelming declaration—overwhelming in strength from those civil servants who were consulted—80 per cent in favor of the terms recommended by the Courtney Commission. When that plebiscite had been taken it was quite clear that some alteration in the terms of the existing superannuation scheme must be made in order to meet the wishes of the service as a whole. There were two distinct defects about the Courtney scheme, and I think in that the hon. gentleman will entirely agree with me; namely, the hardships inflicted upon those civil servants who died in the service were met entirely at the expense of the potential pensioner, and the next defect was that there was no provision made for those who retired from the civil service before they had completed ten years' service, and thus became pensionable, except that gratuity of a month's pay for every year, which really was quite inadequate. When it was clear that the civil service wanted a reconsideration of the terms of superannuation it was quite clear that the pensionable treatment which would have to be given—which could be given—would have to be considered very carefully from the actuarial point of view, and I have had the services of three eminent actuaries who went very closely into the whole of the calculations necessary to evolve a scheme, and this bill is the outcome of that consideration. By it a pension of one-eightieth is substituted for the pension of one-sixtieth for each year's service given, and as the pension is confined to the earnable period, is confined to the maximum of forty years, it is clear that the pension is reduced from a pension of two-thirds to a pension of one-half.

In order to make up to the servants the reduction in pension, the following proposals are made, and the first of these deals with the hardship resulting to the civil servant who retires before he has completed ten years' service. Any civil servant who retires after two years' service gets in addition to the gratuity which he now earns an additional allowance of one-thirtieth for every year's service rendered. That is coupled with a deduction from his earnable allowance, if he serves to 65 years of age. Practically all civil servants have to retire at 65 years of age, with the exception of one or two favored individuals, who may serve for a year or two more, and also with the exception of a certain number of officers who are employed in and about the law courts, who may serve on for practically an indefinite period. * * * Next, any civil servant dying after five years' service gets a gratuity of a year's pay, and if a civil servant dies after he has retired from the service, but before he has drawn a whole year's pay, the State makes up to him the equivalent of a year's pay, whether by way of additional allowance or by making up the deficiency of the year's pay. These very favorable conditions, far exceeding anything that the civil servants expected, are dependent

upon two conditions, one that the option must be made within twelve months, and the other that the personnel of the service must be in a sound state of health. These are actuarial conditions laid down, upon which the whole scheme depends, and from which the Treasury would be quite unable to depart.

Then I come to the provisions by which only those officers who were under the age of 60 were allowed to opt. The age of 60 is the age at which the head of a department has no power any longer to retain the services of an officer. An officer can go, if he wishes, the moment he reaches 60, and draw his pension. It would be quite impossible, having regard to the actuarial calculations on which the scheme is based, to permit an officer who attains the age of 60 to take advantage of the new scheme and leave the service, carrying off, perhaps £1,000 [\$4,866.50]. The possibility of doing that would clearly upset any actuarial calculations whatever. These proposals are to be made applicable to all future entrants and they can only be made applicable to existing servants if the actuarial calculations on which the scheme is based are observed. The whole of these proposals are based upon this, that no amount of money shall be taken away from the aggregate body of civil servants, and that in making these proposals no additional expenditure shall be incurred by the State. We have a block sum which we do not intend to increase or to diminish, but within the capacity of that block sum we have redistributed the conditions under which the pension is payable. If the wishes of the hon. member for Exeter (Sir G. Kekewich) were accepted the other resulting benefits of the scheme would have to be reduced in order to comply with his wishes. I think it is very much better to give what you can to the great majority of civil servants rather than to give an advantage to a small class of officials, none of whom will probably be in the service for more than two or three years longer.

A further advantage is given, namely, that all the existing civil servants who adopt and take advantage of the scheme are to get $\frac{1}{2}$ per cent bonus for each year served before the passing of the Act. That would be a substantial advantage to the civil servants, and it can only be done because in their case the State will escape the liability of life assurance which is receivable by all future civil servants and all those who accept the scheme—a liability which may press heavily upon the State in their case. The scheme does not apply to women, because so many of the women who voted were against the application of the scheme to them, and although I should be prepared, if there were any evidence of a desire on the part of a large section of the existing women in the civil service to have the scheme applied to them to permit such an option, at the same time I have seen no indication of any desire on their part to have the scheme made optional.

The proposal to substitute life insurance in lieu of a part of the pension naturally suggested questions as to the medical fitness of the Government clerks as a body. On August 17, Mr. Mitchell-Thomson, a member of the House of Commons asked the Secretary to the Treasury whether the new scheme of the superannuation bill was based on any actuarial calculation as to the average expectation of life of such existing civil servants as elect to come under the scheme, and if

the calculation was based on such an estimated average life, what necessity there was for a medical test of each candidate for admission to the scheme; and whether it was intended to refuse admission to candidates whose lives were not good lives from an insurance point of view. There ensued the following:

Mr. HOBHOUSE. The proposals as regards existing civil servants are based on the assumption that those electing to adopt the new scheme are in average good health.

Mr. MITCHELL-THOMSON. Will the right hon. gentleman reply to the last part of the question?

Mr. HOBHOUSE. Yes, it is intended to exclude those who can not pass a reasonable test.

Mr. MITCHELL-THOMSON. Is this scheme based upon actuarial calculations, and, if so, how does he defend it from the point of view of justice in excluding these people?

Mr. SPEAKER. That is a matter of debate.

Mr. SNOWDEN. Is it intended that they should submit to an examination?

Mr. HOBHOUSE. Certificates will be required from the heads of departments. In accordance with the draft regulations before the House, which to some extent I mean to modify, all persons will have to submit a statement from the head of their department who are beyond a certain age.

On the second reading of the bill in the House of Lords, on September 13, a few explanatory remarks were made by Lord Denman in regard to the origin of the bill, including the statement that a committee of actuaries appointed by the Treasury had "reported that they were able to recommend certain improvements in the scheme which would give better results for the men themselves than the recommendations of Lord Courtney's commission. This bill was regarded as a noncontentious bill," said Lord Denman. "Really all it does, or seeks to do, is to distribute in a slightly different way certain charges which appear annually on the votes; and therefore I trust it may have a smooth and a rapid passage through this House."

An amendment was brought up, however, by the Marquis of Lansdowne, who objected to section 6 of the bill which limited compensation for abolition of office to the amount allowed on retirement because of ill-health and repealed section 7 of the Superannuation Act of 1859, the section which gave the Treasury power to grant abolition allowances. Said he:

Now, my lords, I must say that *prima facie* there seems to me to be all the difference in the world between the case of a man who, owing to his own misfortune, is obliged to retire from the service, and the case of another man whose retirement is imposed upon him by the action of the Government of the day. The second case is one certainly of exceptional hardship, and I am surprised that it should have been thought proper to deprive those civil servants who are the sufferers from events of that kind of the special consideration which certainly in the time when I knew anything about these matters they used to receive.

Lord Denman explained that section 6 simply legalized what had been the practice of the Treasury, with certain exceptions, for over twenty years, since no abolition terms had been granted for that length of time. Said he:^(a)

Perhaps I may be allowed for one or two minutes to go into the history of the matter, because this clause has really rather a lengthy history. I understand that in 1888 a royal commission presided over by the late Lord Ridley, inquired into this matter. They found that these abolition terms had given rise to very great abuses and had been too often used to get rid of inefficient men. I think in the following year there was a debate in the House of Commons on this point, and a resolution was proposed protesting against the useless burdens which were placed upon the country by these abolition terms. An amendment was moved by the Government of the day, and the Government were defeated on this point, possibly as a result of that debate. Mr. Goschen—as he was then—in August, 1889, said that for some time past these abolition terms had not been allowed; and Mr. W. H. Smith said—

“It is our deliberate intention to legislate on this question at the earliest possible period next year.”

Then there was a question put by my noble friend, Lord Wolverhampton, on March 17, 1892. He asked whether it was the intention of the Government to introduce a measure relating to the superannuation of civil servants in accordance with the report of the royal commissioners on civil establishments. Mr. Goschen, in reply, said that in view of possible delay before a new superannuation bill could become law, the Government had taken steps whereby effect had already been given to the main recommendations of the royal commission on the subject of civil superannuation. He went on to say that abolition of office no longer entitled the retiring officer to a special rate of pension.

I believe it was formerly the practice of departments to organize and retrench on a very much larger scale than has been the case latterly, and no doubt abolition terms were much more useful in those days than they have since become. Nowadays it is very rarely that reductions of this kind are made in departments, and when a reduction takes place, if a man is an efficient civil servant a place for him is found in some other department. In the case of an inefficient man there is no hardship if the reduction takes place on the same terms as in the case of a person who is retired on the ground of ill-health. This clause really legalizes what has been the practice of the Treasury, with certain exceptions, for over twenty years.

Despite Lord Denman's explanation, the lords amended section 6 so as to make it apply “only to persons entering the service after the date of the passing of this act,” thus leaving those already in the service undisturbed in any of the privileges conferred on them by the Act of 1859.

Immediately after the bill became a law regulations were made by the Treasury with reference to the conditions under which existing civil servants might be allowed to adopt the provisions of the act.

^a Parliamentary Debates, House of Lords, 14 Sep., 1909, Vol. 2, No. 59, p. 1184.

These stated that application must be made through the head of the department, and must reach him on or before December 31, 1909. Application must be made on the following form:

Application to adopt the provisions of the act under the terms of section 3 (1) and the treasury regulations of September, 1909.

(1) Full name of applicant.

(2) Department and situation.

(3) Age. (Give date of birth.)

(4) Are you in a good state of health and, so far as you know, free from any disorder or disease tending to shorten life?

(5) Have you had any illness during last 10 years necessitating your absence from duty for more than 15 consecutive days? If so, state the nature of such illness.

(6) Are you now and have you always been of sober and temperate habits?

(7) State the number of days in the under-mentioned years on which you have been absent from duty on account of sickness, and the cause in each case:

Calendar year.	Number of days.	Cause of absence.
1905.....		
1906.....		
1907.....		
1908.....		
1909.....		

(8) Declaration to be signed by the applicant:

I hereby apply to be allowed to adopt the provisions of the Superannuation Act, 1909, and I declare that the above statement of particulars is true to the best of my knowledge and belief.

Signature of applicant.

Date.

To be filled in by the Applicant's Department.

State whether the foregoing particulars correspond with the official records relating to the applicant so far as they can be verified, especially under the Heads (3), (4), (6), and (7).

Give the date of the applicant's first Civil Service Certificate.

The applicant is employed in a pensionable capacity, and his case is recommended for the favorable consideration of the Treasury.

Signature of the head of the department

or of other authorized officer.

Date.

In the case of a civil servant above 55 years of age at the date of the passing of the act, the application must be accompanied by certificate in the following form, signed by the medical officer of his department, or, where this is not practicable, by his regular medical attendant:

1. Are you the medical officer of the applicant's department, or his private medical attendant?

2. How long have you known him?

3. Does he appear to be now in good health, and free from any disease or disorder tending to shorten life?

4. Do you believe him to be and to have been sober and temperate?

5. Do you consider him to be a person whom you could recommend to an assurance society for life assurance at the ordinary rate of premium?

If not, do you consider him as—

(a) insurable at an addition to his actual age; or

(b) uninsurable.

Signature.

Date.

The Treasury may call for further medical evidence as to the condition of the applicant's health in any case in which they consider it desirable. Should the statements made by the applicant be found to be untrue or inaccurate in any particular within the knowledge of the applicant, the Treasury may cancel the allowance of the application.

CONCLUSIONS.

The conclusions to be drawn from Great Britain's century of experience in pensioning its civil employees are very definite. That experience shows that pensions paid out of the public treasury as pure gratuities are certain to be taken into account in fixing salaries, and a pension system thus becomes, in effect, a contributory system. As soon as the employees realize that they are contributing to their own pension they at once demand that, on separation from the service for any cause whatever, the value of their contributions shall be returned to them in some form. It is in recognition of the reluctance of human nature to give something for nothing—shown first by the officers of the Government in taking the pension into account in fixing salaries, and next by the employees in their unwillingness to forfeit their contributions under any circumstance—that the pension system of England was modified by the Act of September 20, 1909.

The full significance of the final action of Parliament in amending the various superannuation acts, especially the Act of 1859, by the Act of 1909, is not brought out in the Parliamentary debates. It is really more than "merely a redistribution scheme," as characterized by Mr. Hobhouse in the House of Commons, for it concedes the right of employees to the return of theoretical contributions. Actual deductions from salaries of employees were not contemplated by the former law. In the recognition by the Government of the fact that contributions are virtually exacted from employees through the practice of taking pensions into account in fixing salaries, lies the significance of this last legislation. In this last act the Government puts a legal stamp on the superannuation scheme of England as a contributory plan and not a pension system at all in the strictest

dictionary meaning of the term pension as "a regular stipend paid by a government," that is, paid out of a common treasury.

The general impression among people of the United States is that Great Britain had first a contributory plan of retirement which was found unsatisfactory and which was abandoned in 1859 for a straight pension that has proved eminently satisfactory. The well-known excellence of the British civil service is cited as sufficient proof of the merit of the British pension system and the failure of the contributory system which preceded it is taken by many to be conclusive evidence of the superiority of a straight pension over any plan which contemplates contributions by the beneficiaries. It should be pointed out, however, that the excellence of the British civil service may logically be due, in part, to other causes than the pension system. The Civil Service Commission was established in England in 1855, just before the pension system, and it is safe to say that the appointment to office and promotion in office on the basis of merit would have had good results in the last half century even had the contributory plan of granting retiring allowances not been superseded by the system of free and universal pensions.

Investigation has revealed the fact that very little objection was expressed by the employees to the contributory system of 1834 as such. It has also been shown that various people of wide official experience and consequence have, in recent years, expressed their regret that the exaction of definite contributions was ever abandoned. The objections to the contributory system were based on the inadequacy of salaries to bear deductions, and the faults in the details of the scheme, particularly the lack of provision for returning contributions in case of death or resignation and the failure to fund the contributions and keep the employees' account with the Government separate from all others.

It seems reasonable to suppose that the pension system which succeeded this contributory plan would have been popular with the employees themselves, if not with the country. Doubtless it was for a short time in the beginning. The evidence shows, however, that the employees soon ceased to regard the pension as a pure gratuity and came to consider it as a benefit paid for by themselves out of reductions in salary, and subject to large chances of forfeiture through death or resignation, since statistics showed that not more than one out of seven entrants into the service remained to the pensionable age. Of about 100,000 individuals in the service in 1902, approximately 70,000 were members of the Deferred Pay Committee, and claimed that pensions were deferred pay.

This large body of employees held, in the second place, that the amount withheld from their salaries for the payment of pensions was more than necessary for the purpose. The Courtney Commission

sustained them in their first contention but refused to admit the second. Without an actuarial investigation, which they were apparently unwilling to undertake, it was not possible for the commissioners to disprove mathematically the claim of the employees that the amount withheld from salaries was excessive, and their denial of the claim must, therefore, be regarded as more or less arbitrary. Holding that the amounts withheld from salaries were entirely consumed in the payment of pensions, they were forced logically to refuse the request of the civil servants for a refund of the supposed excess in the form of free life insurance. They held, therefore, that the insurance could only be secured through a reduction of the pension.

The important point to note is that the commission conceded that something was deducted from the employee's pay for the purpose of pensioning him at the end of his period of service. The English pension system is, therefore, not a free and absolute system of gratuities at all but a system of theoretical contributions from the employees' salaries, more or less adequate to pay the benefits given. Whatever it may have been in the beginning, that is what it has become through the policy—a policy sure to develop under a system of gratuities, human nature being what it is—of taking the pension into consideration in fixing salaries.

The English superannuation system having become avowedly a contributory system, the question to be investigated then is this: Is it a satisfactory form of contributory plan? It is undoubtedly more satisfactory to the employees, and justly so, since amended by the Act of 1909, than it was formerly under the Act of 1859. The problem of devising a satisfactory superannuation scheme for any service is one in which human nature is an element as well as arithmetic, and the fact should not be ignored that human nature is such that no system can be satisfactory to employees unless provision is made for the return, in some form, on separation from the service of their actual or theoretical contributions. This is abundantly shown by the testimony of Mr. Manly, the actuary, in regard to the experience of industrial schemes as well as by the British Government's own experience. The Act of 1909 takes cognizance of this fact. While the refund of imaginary contributions is accomplished by means of a reduction in the pension, this disadvantage is offset by the fact that all those in the service will become beneficiaries under the scheme and not merely those who live to reach pensionable age.

The amended scheme is undoubtedly more satisfactory, too, than the old contributory scheme of 1834 discarded for the pension system of 1859. It is more satisfactory because the scheme of 1834 required the forfeiture of the contributions—in that case, actual contribu-

tions—on death or resignation, and because, like the pension system, it benefited only those who remained in the service and reached pensionable age.

The question whether the present improved system is absolutely equitable as between individuals is difficult of satisfactory answer. It has been shown that it is more equitable than the old systems, but it can not be shown whether the amounts received by the employee in the form of pension, insurance, and cash-surrender values correspond with the amounts contributed by him, since it has not been ascertained what percentage of salary is withheld as a contribution. The Courtney Commission maintained that the theoretically contributed sum is no more, in the aggregate, than the amount required for pensions, but this does not prove that the sum contributed by any individual may not be more or less than what he should equitably contribute. A deduction of a given percentage of salary may be entirely adequate to furnish given benefits for a young man, while a deduction of the same percentage of salary will be quite inadequate to provide the same benefits for an older man. The failure of the Courtney Commission to gratify the request of the employees for a full investigation into the subject so that the amounts actually withheld might be definitely determined makes any redistribution of benefits merely a guess rather than an exact calculation. In the absence of the necessary data, it is therefore impossible to answer the question: Is the present system absolutely equitable as between individuals?

While it is to be assumed that the calculations made by the actuaries are unimpeachable, it is to be noted that those calculations were limited in scope and undertaken merely to ascertain what benefits could be given by reducing the pension one-quarter. The problem of the actuaries was to distribute equitably a definite sum. They were not asked to go farther back and devise a contributory scheme that would be just as between the State and the individual or equitable as between different classes of individuals. The amended system is held to be merely a scheme of redistribution, but it should not be forgotten that only one-quarter of the amount to be distributed has been subject to actuarial calculation. Whether the other three-quarters have been equitably distributed can not be stated.

One thing, however, can be definitely stated regarding the present system in comparison with a system where the contributions are actually instead of only theoretically paid, and where they are funded and invested at interest. It is less economical. Under the existing system, the necessary sum is appropriated each year out of the Treasury for the payment of pensions. This sum amounts to from 16 to 20 per cent, in the various departments, of the sums paid for salaries. Under a contributory system, the neces-

sary sum would be accumulated gradually from many contributions invested at interest. By reason of the fact that with the help of compound interest at the rate of 3 per cent per annum, the sum of a given contribution per annum will double itself in the course of a service of 42 years, and at $3\frac{1}{2}$ per cent in 36 years, and at 4 per cent in 31 years, it follows that the total contributions of an employee who serves 40 years need be less than half the amount required by direct appropriation from the Treasury to give the same pension. The question naturally suggests itself then: Why would it not be a wiser distribution of funds, if the British Government in appropriating a sum for the maintenance of civil establishments (including an amount for salaries and another amount for pensions) should increase the salaries by the amount of the sum spent for pensions but require employees to pay out of their salaries a contribution sufficient to meet the cost of pensions? The net result of thus preferring a scheme of actual contributions to one of theoretical contributions would be a general increase in salaries without increasing the appropriation for either salaries or pensions, thus effecting a saving of money to the employees that, under present conditions, is lost.

The first lesson for other countries seeking light from the history of English superannuation schemes is, therefore, this:

The logical plan to adopt is a contributory plan, since a pension system is certain to be treated as a contributory system, and since a pension system is far more costly. It is better, then, to adopt a contributory plan in the beginning, worked out on scientific lines, with a definite relationship between contributions and benefits to make it equitable as between all classes of employees rather than a pension in the beginning and finally a patched-up arrangement, the fairness of which is open to question. Had the Commissioners of 1857 modified the contributory plan then in force in accordance with actuarial principles, the result would have been a more scientific and probably a more equitable arrangement than that which has just been arrived at after a half century of discontent and agitation. Had the Commissioners of 1857 arranged for the Government to assume the cost of all pensions on services rendered up to that time, and also increased the salaries of the employees sufficiently to provide for the deductions necessary in the individual cases to create the pensions called for under a proper scale, together with a refund of accumulations in case of separation from the service and such insurance as was asked for, the scheme to-day would be self-supporting at a cost to the Government through the increase of salaries of about one-half of the amount which is now paid out in pensions.

Other valuable lessons may be learned from Great Britain's experience in retiring civil employees. It has been shown that

not all contributory plans are good. To be satisfactory, a contributory plan must be based on certain fundamental principles:

The contributions should be placed in a fund and invested at interest under guarantee of the Government, a separate account being kept with each contributor. Failure to fund the contributions of the employees under the plan of 1834 led to unnecessary misapprehension and discontent. No account having been kept of the amounts received by the Government in contributions from the employees and the amounts returned to them in pensions, it was not known whether the Government had gained or lost by the transaction. Nursing the belief that they had paid in more than was ever returned to the service, the employees harbored resentment against the Government. Failure to fund the contributions resulted also in the loss to the employees of the interest which they would have received had the contributions been invested.

The amount of contributions should be determined by the amount of the annuity to be granted under the pension scale adopted. The annuity should be based on the amount of salary and the length of service which latter, in turn, depends largely on the age at entrance into the service. The percentage of deduction from salaries should vary, then, with the entrance age. This was not the case in the English contributory scheme of 1834, which was based on a flat-rate assessment for all ages of $2\frac{1}{2}$ per cent on salaries not exceeding £100 (\$487) and 5 per cent on salaries exceeding that amount. The result was inequitable as between individuals of different ages and different salaries, the assessment being smaller than necessary for the older ages and in some cases a trifle larger than that required for the younger ages. As Doctor Farr pointed out, there was no direct connection between what was given and what was received.

There must be sharp differentiation between accrued liabilities and future liabilities. The contributions made by present employees should be held in reserve to pay future pensions, and not consumed in paying pensions for past services. The accrued liabilities must be paid by the State or the contributed fund will become insolvent. To use the current contributions for the payment of pensions on back services is doubly destructive to any scheme because it not only takes the contributions that were paid in to meet future obligations, but it cuts off the accumulation of interest. This disastrous course was followed under the contributory plan of 1834, as usually happens where there is a commingling of assets. The investigation made by Messrs. Ansell and Morgan, the actuaries, in 1857, showed that had the contributions been funded, the fund would by that time have been insolvent. The five per cent deduction from salaries was inadequate, not only because there were many employees whose age was such as to make a larger deduction than five per cent of

salary necessary, but because the deductions of the young employees were consumed in paying pensions to old employees.

Provision should be made for the refund of contributions in case of separation from the service, whatever the cause. The lack of this provision in the Act of 1834 was felt to be a hardship and an injustice. The forfeiture of contributions was especially resented when employees died while in the service.

Under either a contributory or a pension system, the experience of Great Britain points to several other fundamental principles:

Retirement from the service should be made compulsory at some given age. If it is merely optional, the purpose of the system is likely to be defeated by the continuance of aged people in the service. The need of compulsion was felt for years in England before action was taken in the matter. Although this phase of the subject was clearly brought out in the investigations of the Select Committee of 1873 and in the inquiry of the Ridley Commission in 1886, and both bodies recommended that retirement be made compulsory at the age of 65, it was not until 1898 that the recommendation was carried out by means of an order in council. The importance of the principle is recognized in the most recent legislation on superannuation. The Act of 1909 provides for reduction in the superannuation allowance in the case of every employee who remains in the service, by favor of the Treasury, after reaching the age of 65 years.

The amount of the retiring allowance should be calculated on the basis of the average rather than the final salary. The English pension is calculated on the basis of the salary received during the last three years of service, but there has been much discussion of this provision before the various commissions. Recognizing the fact that such a method of calculation is unsatisfactory, since it necessitates the use of a salary scale, which is always more or less unreliable, but evidently loath to make any great change because of the reduction in pension which it would cause, the Ridley Commission recommended an extension of the period used as a basis for calculation from three to ten years. The calculation of pensions on the ultimate rather than the mean salary is also open to special objection on the ground that it gives heads of departments and bureaus an incentive to show favoritism in the matter of promotions and demotions in the final years of service.

A provision for life insurance is a desirable adjunct to a retirement measure and one that is greatly appreciated by the employees. Such a provision has been urged by the British civil employees for over half a century. Life insurance benefits are less necessary, however, under a proper contributory plan than they have been under the contributory and pension plans of England, which made no refund of contributions in case of death. Under a plan which turns

over the deductions from salary with interest to the representatives of the employee dying in the service, the need of insurance is only acutely felt in the earlier years before the accumulations of the employee amount to a considerable sum. During that period, term insurance, which can be bought at a very low premium, will provide protection. It should be noted that the medical selection exercised in carrying out the insurance provisions of the Superannuation Act of 1909, will necessarily result in improving the already high standard of excellence of the British civil service.

APPENDIX I.

SUPERANNUATION ACT OF 1834.

ANNO QUARTO & QUINTO GULIELMI IV. REGIS.

[Cap. XXIV.]

AN ACT To alter, amend, and consolidate the laws for regulating the pensions, compensations, and allowances to be made to persons in respect of their having held civil offices in His Majesty's service. [25th July 1834.]

Whereas by an act passed in the fifty-seventh year of the reign of His late Majesty King George the Third, to enable His Majesty to recompense the services of persons holding or who have held certain high and efficient civil offices, His Majesty is empowered to grant pensions, as therein provided, to persons who shall have served His Majesty, his heirs or successors, in the offices therein mentioned:

And whereas by an act passed in the sixth year of the reign of His late Majesty King George the Fourth, for amending the said recited act, it is enacted, that the several other offices therein particularly described shall be deemed to be comprised in the several classes of offices in the said recited act respectively specified:

And whereas it is expedient that the amount of the pensions by the said two acts authorized to be granted should as to future pensions be reduced, and the conditions under which the same shall be granted be altered and regulated:

Be it therefore enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Lords spiritual and temporal, and Commons in this present Parliament assembled, and by the authority of the same, That from and after the passing of this act no pension to be granted to any person in respect of his having served in any one or more of the offices of first lord of the treasury, or of one of His Majesty's principal secretaries of state, or chancellor of the exchequer, or first lord of the Admiralty, or president of the board of commissioners for the affairs of India, or president of the committee of council appointed for the consideration of matters relating to trade and foreign plantations, shall exceed the sum of two thousand pounds per annum; nor shall any such pension be granted to any person unless he shall have held one or more of the said offices for a period of not less than two years in the whole, either uninterruptedly or at different times; nor shall any more or greater number than four such pensions hereafter to be granted, be existing or in force at the same time.

II. *And be it further enacted, That* from and after the passing of this act no pension to be granted to any person in respect of his having served in either or both of the offices of chief secretary for Ireland or secretary at war shall exceed the sum of one thousand four hundred pounds per annum, nor shall any such pension be granted to any person unless he shall have held one or both of the said offices for a period of not less than five years in the whole, either uninterruptedly or at different times; nor shall any more or greater number than two such last-mentioned pensions be existing or in force at the same time.

III. *And be it further enacted, That* from and after the passing of this act no pension to be granted to any person in respect of his having served in any one or more of the offices of one of the joint secretaries of the treasury, or first secretary of the Admiralty, or vice president of the committee of commissioners appointed for the consideration of matters relating to trade and foreign plantations, shall exceed the sum of twelve hundred pounds per annum; nor shall any such pension be granted to any person unless he shall have held one or more of the said offices for a period of not less than five

years in the whole, either uninterruptedly or at different times; nor shall any more or greater number than four such last-mentioned pensions be existing or in force at the same time.

IV. *And be it further enacted*, That from and after the passing of this act the pension, not exceeding one thousand pounds, authorized by the said recited act to be granted to any person in respect of his having served in any one or more of the offices of one of the under secretaries of state, or clerk of the ordnance, or second secretary of the Admiralty, or one of the secretaries of the board of commissioners for the affairs of India, shall not be granted to any such person unless he shall have held one or more of the said offices for a period of not less than ten years in the whole, either uninterruptedly or at different times; nor shall any more or greater number than six such last-mentioned pensions be existing or in force at the same time.

V. *Provided always, and be it enacted*, That in case it shall happen that any person shall have served His Majesty, his heirs or successors, in more than one class of offices herein-before specified, in respect whereof any pension less than two thousand pounds may be granted, it shall be lawful to grant, under the regulations aforesaid, to such person any pension annexed to the highest class of office in which such person may have been employed, whenever the whole period of the service of such person in the several offices in which he shall have been employed shall amount to ten years, although the period of the service of such person in such highest class shall not have extended to the period of five years; *Provided always*, That such person shall have served in such highest class for the period of not less than three years; and in cases in which the service of any such person in any class of those offices shall not be sufficient to entitle him to the pension of that class, it shall be lawful to grant him a pension not exceeding one thousand pounds, provided the period of his aggregate services in that and any inferior class or classes or department of the public service shall amount to ten years: *Provided also*, That there shall not be more than the aforesaid number of pensions to that amount existing at the same time.

VI. And whereas the principle of the regulations for granting allowances of this nature is and ought to be founded on a consideration, not only of the services performed by the individual to the state, but of the inadequacy of his private fortune to maintain his station in life;

Be it therefore enacted, That from and after the passing of this act, whenever any person shall seek to obtain any one of the pensions before mentioned, his application for that purpose shall be made in writing to the commissioners of His Majesty's treasury, to which he shall subscribe his name, and which shall contain, not only a statement of the services performed by him, and the grounds on which such pension is claimed, but a specific declaration that the amount of his income from other sources is so limited as to bring him within the intent and meaning of this act and the principle herein-above declared, and without such declaration no pension as herein-before provided or authorized shall be granted.

VII. *Provided always, and be it further enacted*, That the several regulations with respect to the granting of any of the before-mentioned pensions, and to the receipt thereof by the persons to whom such grants may be made, which are contained in the said recited act of the fifty-seventh years of King George the Third and the sixth year of King George the Fourth, shall continue in full force and effect, and be applicable to pensions to be granted under the authority of this act, except so far as any such regulations are altered or repealed by the enactments contained in this act.

VIII. *And be it further enacted*, That from and after the passing of this act an act made in the fiftieth year of the reign of His late Majesty King George the Third, to direct that accounts of increase and diminution of public salaries, pensions, and allowances shall be annually laid before Parliament, and to regulate and control the granting and payment of such salaries, pensions, and allowances; and two several acts passed in the fifty-first year of the reign of His said late Majesty and in the third year of His late Majesty King George the Fourth, severally to amend the said act of the fiftieth year of the reign of King George the Third; and also an act passed in the fifth year of the reign of His said late Majesty King George the Fourth, to amend the said act of the third year of His said Majesty's reign; and so much of an act passed in the sixth year of the reign of His said late Majesty, to regulate the payment of salaries and allowances to British consuls, as respects the allowance to be made to such consuls in the nature of superannuation or reward for meritorious public services; shall be and the same are hereby repealed, except so far as relates to any matter or thing already done under the said acts or either of them.

IX. *And be it further enacted*, That from and after the passing of this act the superannuation allowances to be granted to such officers and clerks who shall have entered the public service prior to the fifth day of August, one thousand eight hundred and

twenty-nine (except only as herein-after is authorized), shall not exceed the following proportions with reference to the amount of their salaries and the periods of their services respectively (*videlicet*):

To an officer, clerk, or person who shall have served ten years and upwards, and under fifteen years, any annual allowance not exceeding in amount four-twelfths of the annual salary and emoluments of his office;

For fifteen years and upwards, and under twenty years, not exceeding five-twelfths of such salary and emoluments;

For twenty years and upwards, and under twenty-five years, not exceeding six-twelfths of such salary and emoluments;

For twenty-five years and upwards, and under thirty years, not exceeding seven-twelfths of such salary and emoluments;

For thirty years and upwards, and under thirty-five years, not exceeding eight-twelfths of such salary and emoluments;

For thirty-five years and upwards, and under forty years, not exceeding nine-twelfths of such salary and emoluments;

For forty years and upwards, and under forty-five years, not exceeding ten-twelfths of such salary and emoluments;

For forty-five years and upwards, and under fifty years, not exceeding eleven-twelfths of such salary and emoluments;

And for fifty years or upwards, any annual allowance not exceeding the net amount of the salary and emoluments of his office.

X. *And be it further enacted*, That from and after the passing of this act it shall not be lawful to grant to any officer or clerk who shall have entered the public service subsequent to the fourth day of August, one thousand eight hundred and twenty-nine, except as hereinafter authorized, any superannuation or allowance exceeding the following proportions, with reference to the amount of their salaries and the periods of their services respectively (*videlicet*):

To an officer, clerk, or person who shall have served ten years and upwards, and under seventeen years, any annual allowance not exceeding in amount three-twelfths of the salary and emoluments of his office;

For seventeen years' service and upwards, and under twenty-four years, not exceeding four-twelfths of such salary and emoluments;

For twenty-four years' service and upwards, and under thirty-one years, not exceeding five-twelfths of such salary and emoluments;

For thirty-one years and upwards, and under thirty-eight years, not exceeding six-twelfths of such salary and emoluments;

For thirty-eight years and upwards, and under forty-five years, not exceeding seven-twelfths of such salary and emoluments;

And for forty-five years and upwards, not exceeding eight-twelfths of such salary and emoluments:

And in no case, except as herein-after is especially provided, shall any superannuation or allowance exceeding two-thirds of the salary and emoluments of any such officer, clerk, or person, be granted.

XI. *And be it further enacted*, That from and after the passing of this act it shall not be lawful to grant any superannuation allowance to any officer or clerk who shall be under sixty-five years of age, unless upon certificates from the heads of the department to which such officer or clerk shall belong, and from two medical practitioners, that he is incapable, from infirmity of mind or body, to discharge the duties of his situation, nor unless he shall have discharged those duties with diligence and fidelity, to the satisfaction of the head officer or officers of his department, which shall be certified by any two of such head officers if there shall be more than one, or by such head officer if there shall be but one; and in case the person claiming such superannuation allowance shall himself be the head officer, or one of the head officers, then such superannuation allowance shall not be granted unless he shall have discharged the duties of his situation with diligence and fidelity, to the satisfaction of the commissioners of the Admiralty, if such head officer shall hold any office or situation under the control of that department, and in all other cases to the satisfaction of the commissioners of the treasury; and the said commissioners of the Admiralty and treasury respectively shall express such satisfaction in their minute recommending or authorizing the grant of any such superannuation allowance.

XII. *Provided always, and be it further enacted*, That the superannuation allowance to be granted to any officer or person after the passing of this act shall not be computed upon the amount of the salary enjoyed by him at the time of his retirement, unless he shall have been in the receipt of the same, or in the class from which he retires, for a period of at least three years immediately before the granting of such superannuation allowance; and in case he shall not have enjoyed his then existing salary, or

have been in such class for that period, such superannuation allowance shall be calculated upon the average amount of salary received by such person for three years next preceding the commencement of such allowance.

XIII. *And be it further enacted*, That all compensations and allowances granted, or hereafter under this act to be granted, as pensions or superannuations, shall be paid to the persons entitled to receive the same without any abatement or deduction in respect of any taxes or duties whatever at present existing.

XIV. *And be it further enacted*, That the superannuation allowances authorized by this act shall extend to all such civil offices and departments as are set forth and enumerated in the schedule to this act, with such exceptions as are specified in the said schedule: *Provided always*, That it shall be lawful for the commissioners of His Majesty's treasury, by any order on warrant under the hands of any three or more of them, to add to the list of offices and departments enumerated in the said schedule any other offices or departments which now exist or may hereafter be created or established, and to place the same, and the officers and persons employed therein, under the provisions of this act; in every which order or warrant the reasons for adding any such office or department shall be stated, and a copy of every such order or warrant shall be laid before Parliament within one month after the making thereof, if Parliament shall be then sitting, and if not, then within one month after the then next sitting of Parliament; and all the provisions of this act, and all the powers, authorities, regulations, restrictions, and clauses therein contained, shall in every such case apply and be put in force with respect to every office or department which shall be so added as aforesaid as fully and effectually, to all intents and purposes, as if they had been originally specified and enumerated in the said schedule.

XV. *Provided always, and be it further enacted*, That nothing in this act contained shall extend or be construed to extend to or authorize the adding to such list any offices held under military or naval commissions, entitling the holders of the same to half pay, or any military or naval allowance in lieu of or in addition to half pay, allowed under the regulation of any order of His Majesty in council to any persons for services in His Majesty's army, navy, or ordnance, or any offices in any of His Majesty's courts at Westminster or Dublin, or any other of His Majesty's courts of justice elsewhere, or the comptroller of His Majesty's exchequer, or any offices in relation to which the granting of any allowances for past services has been specially regulated by any act, or any offices held as sinecures, or executed principally by deputy.

XVI. *And be it further enacted*, That no compensation hereafter to be made or superannuation allowance to be granted in respect of civil services to any person entitled to half pay in the army, ordnance, navy, or marines, who shall have been appointed to the civil service subsequently to the fourth day of August, one thousand eight hundred and twenty-nine, shall in any case, except as in this act is specially provided, exceed in the whole (computing his half pay in such compensation or allowance) the amount of two-thirds of the salary and emoluments of the office relinquished by him: *Provided always*, That nothing in this act contained shall extend or be construed to extend to entitle any superintendent of a dock yard or other establishment in the civil department of the navy, who shall have held any civil appointment prior to the fifth day of August, one thousand eight hundred and twenty-nine, to any superannuation allowance under this act beyond the amount stipulated by the terms on which he shall have accepted the office of superintendent, or the amount established by any order of His Majesty in council concerning superintendents.

XVII. *Provided always, and be it further enacted*, That in any case in which it shall appear to the commissioners of His Majesty's treasury that any special circumstances afford to any officer or clerk in the several offices or departments mentioned in the schedule to this act, or in the addition authorized to be made thereto, who is not within the exceptions therein contained, a just claim to an amount of superannuation allowance not authorized by this act, or exceeding the amount therein specified with reference to the length of his service, it shall be lawful for the commissioners of His Majesty's treasury to grant, or give authority for granting, any special superannuation which such officer or clerk shall appear to them to deserve; but in every such case the grounds on which such special superannuation shall be granted or authorized shall be stated in the grant thereof, or in the authority for granting the same, and also entered in the minutes of the treasury, and shall likewise be laid before Parliament within one month after the fifth day of January in each year, if Parliament be sitting during that period, or if not, then within one month after the ensuing meeting of Parliament.

XVIII. *And be it further enacted*, That no compensation for any office abolished, nor any special allowance or remuneration for good services to any person holding or having held any civil office in any public department, shall be charged upon the incidents or any other fund of any such department; and that no such compensation,

nor any allowance or compensation in the nature of superannuation or retired allowance or reward to any such person in respect of his having held any public office or employment, or having been engaged in any public service, shall be granted, allowed, or paid, other than under the authority of an order of His Majesty in council, or by the commissioners of His Majesty's treasury, or any three or more of them.

XIX. *And be it further enacted and provided*, That every person to whom any compensation or allowance, in consequence of the abolition or reduction of office, shall hereafter be granted shall at all times, when called upon, be liable to fill, in any part of His Majesty's dominions in which he shall have already served, any public office or situation under the Crown for which his previous public services may render him eligible; and that if he shall decline, when called upon so to do, to take upon himself such office or situation, and execute the duties thereof satisfactorily, being in a competent state of health, he shall forfeit his right to any compensation or allowance which may have been granted to him in respect of any former services.

XX. *Provided always, and be it further enacted*, That in case any person enjoying any superannuation allowance, in consequence of retiring from office on account of age, infirmity, or any other cause, or enjoying any compensation for past services upon the abolition or reduction of office, shall be appointed to fill any office in any public department, every such allowance or compensation shall cease to be paid for any period subsequent to such appointment, if the annual amount of the profits of the office to which he shall be appointed shall be equal to those of the office formerly held by him, and in case they shall not be equal to those of his former office, then no more of such superannuation allowance or compensation shall be paid to him than what with the salary of his new appointment shall be equal to that of his former office.

XXI. *Provided always, and be it further enacted*, That nothing herein contained with respect to compensation, superannuation, or allowance for civil services, shall extend or be construed to extend to any military or naval half pay, or allowance in lieu of half pay, or to any military or naval allowance or pensions granted or to be granted, under the regulations of any order of His Majesty in council, in any of the respective departments of the commissioners of the Admiralty, the secretary at war, and the master general of the ordnance, except as herein-after is provided with respect to the same.

XXII. *And be it further enacted*, That between the first day of February and the twenty-fifth day of March in every year, or if Parliament shall not be sitting during any part of that period, then within twenty days after the next meeting of Parliament, there shall be laid before both Houses of Parliament an account of every increase and diminution which shall have taken place within the preceding year, ending on the thirty-first day of December, in the number of persons employed in all public offices or departments under the Crown, and in the salaries, emoluments, allowances, and expences which shall have taken place or been paid, granted, received, or incurred for and in respect of all officers and persons belonging to or employed in all such public offices or departments, specifying the amount and nature thereof, and distinguishing every increase and diminution in the amount of all allowances or compensations granted as retired allowances or superannuations to any person having held any office, place, or employment in any such public office or department, and also the time and length of service of every such person, and the amount of the salary and emoluments received by such person immediately preceding his superannuation or retirement, and the nature of his services, and the grounds upon which such increase or diminution in the establishment of every such public office or department, or of any such salary, emolument, allowance, compensation, or superannuation, shall have been granted or made; and also specifying the name of every person receiving such allowance or compensation who may have died in the course of the year, together with the amount of the annual allowance payable to such person.

XXIII. *Provided always, and be it further enacted*, That accounts of all compensations for offices abolished, and of all allowances in the nature of superannuation or retired allowances to all other persons in respect of their having held any public office or employment under the Crown, shall annually, at the period lastly provided, be laid before the Commons House of Parliament.

XXIV. And whereas the scale of allowance under this act specifies the highest rate which a superannuated officer can receive unless his case be specially laid before Parliament:

And whereas it is expedient that the Lords of His Majesty's Treasury and the Lords of the Admiralty for the time being, respectively, should consider the health, age, meritorious conduct, and other circumstances of each party applying for a superannuation allowance, in order to exercise their discretion in fixing the amount of such allowance, subject always to the limitation prescribed by this act:

And whereas it is expedient that Parliament should be made acquainted with the manner in which such discretion shall be exercised;

Be it therefore enacted, That all orders of His Majesty in council, and minutes of the lords of the treasury, which shall at any time be framed or passed laying down any general rule or regulation respecting the granting of superannuation allowances, shall within one month of the date thereof, if Parliament should be then sitting, or if not, then within one month after the commencement of the next ensuing session of Parliament, be laid before the two houses of Parliament, respectively.

XXV. *Provided always, and be it further enacted*, That all half pay and allowances in lieu of half pay in the several departments of the army, ordnance, navy, and marines, and all military and naval allowances or pensions granted or which shall be granted in any of such departments under the authority of any order in council, shall be annually laid before the Commons House of Parliament in separate estimates, at the same time with the ordinary estimates of those respective departments, and shall be kept distinct from all pensions, compensations, superannuation and retired allowances in any of the civil offices of those departments, respectively.

XXVI. *And be it further enacted*, That the compensations, superannuations, and allowances authorized as well by this as any former act or acts shall, when not specially provided for by Parliament, be charged upon and paid and payable by the respective departments or offices in which the persons receiving such allowances shall have served.

XXVII. And whereas the commissioners of the treasury did, by a minute dated the fourth day of August, one thousand eight hundred and twenty-nine, record their intention to adopt certain regulations with a view to reduce prospectively the charge incurred in providing for superannuation allowances, of which notice was given in the several public departments, for the information of those who should thereafter enter the public service: And whereas, in pursuance of the said minute, an annual abatement hath been made from the salaries and emoluments of the several persons who have entered the public service subsequent to the date thereof; and whereas it is expedient to continue such abatement in those cases, and to extend it to others, as hereinafter provided: *Be it therefore further enacted*, That from and after the passing of this act there shall be an annual abatement made, in quarterly proportions, by the proper officer in each respective department, from the salaries and emoluments of the several officers and persons employed in the several civil offices and departments specified in the schedule to this act, or to be specified in the addition authorized to be made thereto, and not within the exceptions thereof, who have since the date of the said minute entered or shall hereafter enter the public service, in such manner and under such directions as shall from time to time be given in this respect by the commissioners of the treasury or of the Admiralty, as the case may be; the amount of which abatement shall be according to the respective rates following, that is to say:

From salaries and emoluments not exceeding the annual sum of one hundred pounds, an abatement after the rate of two pounds ten shillings per centum;

And from salaries and emoluments exceeding one hundred pounds, five pounds per centum;

And in the cases of all persons whomsoever at present holding office and entitled to superannuation allowance under this act, who shall have been appointed to such office subsequently to the issue of the minute of the lords commissioners of His Majesty's treasury, bearing date the fourth day of August, one thousand eight hundred and twenty-nine, for the future regulation of the several civil departments of the public service, and who shall hereafter, upon promotion, obtain any increase of salary or allowances in respect of their offices, an annual abatement, after the like rates, respectively, shall be made from the amount of such increase from time to time, commencing from the period when the same shall take place.

XXVIII. *And be it further enacted*, That it shall be lawful for the person or persons at the head of any department in which any fees or other sources of profit may form part of the emoluments of any office in such department, to fix, with the approbation of the commissioners of His Majesty's treasury, or for the commissioners of the Admiralty if the office shall be in that department, an average sum upon which the compensation or superannuation allowance shall be granted, as well as the sum to be annually abated, as hereinbefore provided, from such person's salary in respect of such emoluments, which sum so to be fixed shall not exceed the average amount of such emoluments for the three last preceding years.

XXIX. *And be it further enacted*, That the vice-treasurer of Ireland shall at all times, when required so to do by the commissioners of His Majesty's treasury, transmit to the said commissioners accounts of the execution of this act, and of all matters and things relating thereto, in his execution of the powers thereof, in such manner and form, and containing such particulars as he shall in that behalf be from time to time directed.

XXX. *Provided always, and be it further enacted*, That nothing in this act contained shall extend or be construed to extend to give any person an absolute right to compensation for past services, or to any superannuation or retiring allowance under this act, or to deprive the commissioners of His Majesty's treasury, and the heads or principal officers of the respective departments, of their power and authority to dismiss any person from the public service without compensation.

XXXI. *And be it further enacted*, That this act may be amended, altered, or repealed by any act or acts to be passed in this present session of Parliament.

Schedule referred to in the foregoing act.

Offices or departments.	Exceptions.
Treasury.....	Lords of the treasury and joint secretaries.
Office of vice-treasurer in Ireland.	
Office of privy council, Great Britain and Ireland.	President of the council.
Office of committee for trade.....	President and vice-president.
Offices of secretaries of state.....	Secretaries and under secretaries.
Office of secretary for Ireland.....	Chief secretary, the parliamentary counsel for Irish affairs.
Alien office.	
Consuls-general and consuls restricted from being engaged in trade.	
State paper office.	
Office of registrar of slaves.	
Police offices in London and Middlesex and borough of Southwark.	
Commander of the forces office, England and Ireland.	} Commander in chief and his secretary, and officers acting under military commissions.
Quartermaster-general's office, ditto..	
Adjutant-general's office, ditto.....	
War office.....	Secretary at war.
Army medical board.	
Board of general officers.....	Officers acting under military commissions.
Chaplain-general's office.	
Judge-advocate-general's office.....	Judge-advocate-general.
Army pay office.....	Paymaster-general.
	Master-general.
	Clerk of the ordnance.
	Surveyor-general.
	Principal storekeeper.
Ordnance office.....	Secretary to master-general, and all persons holding their situations by military commission.
	Treasurer of the ordnance.
Chelsea and Kilmainham hospitals...	} Persons who, being military officers, may be entitled to full or half pay as such, subject, however, to the provisions of this act.
Royal Military College.....	
Royal Military Asylum.....	
	Lords of the admiralty and secretaries.
Admiralty and naval establishments at home and abroad.	Superintendents of dock yards and victualling yards, and naval medical establishments or hospitals, not having been employed in the civil service of the navy prior to the fifth day of August, One thousand eight hundred and twenty-nine, and officers acting by virtue of naval or military commissions or warrants, and entitled to half pay.
Navy pay office.....	The treasurer.
Tax office and stamp office.	
Customs.	
Excise.	
Post-office.....	The postmaster-general.
Royal mint.....	The master of the mint.
Audit office.	
Comptrollers of army accounts.	

Schedule referred to in the foregoing act—Continued.

Offices or departments.	Exceptions.
National debt office. Office of comptroller of the exchequer. Exchequer bill office. Stationery office. Office of woods, forests, works, etc. . . . King's remembrancer's office in the exchequer of Scotland. Office of auditor of the exchequer of Scotland. Signet and privy seal offices, Scot- land. British and Irish fishery.	The comptroller-general. First commissioner. Auditor.

IRELAND.

Office of teller of the exchequer. Commissariat. Hibernian school for soldiers' chil- dren. Board of education. Privy seal office. Board of charitable donations and bequests. Registrar of deeds.	The teller. Persons holding commissions entitling them to half pay, subject, however, to the provisions of this act.
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APPENDIX II.

SUPERANNUATION ACT, 1859.

[22 Vict., Chapter 26.]

AN ACT To amend the laws concerning superannuations and other allowances to persons having held civil offices in the public service. [19th April, 1859.]

Whereas an act was passed in the session holden in the fourth and fifth years of King William the Fourth, chapter twenty-four, "to alter, amend, and consolidate the laws for regulating the pensions, compensations, and allowances to be made to persons in respect of their having held civil offices in His Majesty's service;"

And whereas by an act of the session holden in the twentieth and twenty-first years of Her Majesty, chapter thirty-seven, section twenty-seven of the first-recited act, by which an abatement was directed to be made from the salaries of civil servants entitled to superannuation allowance, was repealed;

And whereas it is desirable further to amend the said act as hereinafter mentioned:

Be it therefore enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Lords, spiritual and temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

I. Sections ten, eleven, thirteen, fourteen, fifteen, seventeen, nineteen, and twenty-four of the said act of the fourth and fifth years of King William the Fourth are hereby repealed, but such repeal shall not affect any pension, compensation, or superannuation allowance granted or act done before the passing of this act.

II. Subject to the exceptions and provisions hereinafter contained, the superannuation allowance to be granted after the commencement of this act to persons who shall have served in an established capacity in the permanent civil service of the state, whether their remuneration be computed by day pay, weekly wages, or annual salary, and for whom provision shall not otherwise have been made by act of Parliament, or who may not be specially excepted by the authority of Parliament, shall be as follows (that is to say):

To any person who shall have served ten years and upwards, and under eleven years, an annual allowance of ten-sixtieths of the annual salary and emoluments of his office;

For eleven years, and under twelve years, an annual allowance of eleven-sixtieths of such salary and emoluments;

And in like manner a further addition to the annual allowance of one-sixtieth in respect of each additional year of such service, until the completion of a period of service of forty years, when the annual allowance of forty-sixtieths may be granted; and no addition shall be made in respect of any service beyond forty years:

Provided always, That if any question should arise in any department of the public service as to the claim of any person or class of persons for superannuation under this clause, it shall be referred to the commissioners of the treasury, whose decision shall be final.

III. Nothing herein contained shall interfere with the grant, to the officers and clerks who entered the public service prior to the fifth day of August, one thousand eight hundred and twenty-nine, of such superannuation allowances as might hereafter have been granted to them under section nine of the said act of the fourth and fifth years of King William the Fourth, or shall prevent, restrict, or diminish any other superannuation allowance, pension, gratuity, or compensation which, if this act had not been passed, might hereafter have been granted to any person who shall have entered the public service before the passing of this act, but, except as aforesaid, the provisions hereinafter contained shall apply as well to persons who have already entered the public service, whether before or after the said fifth day of August, one thousand eight hundred and twenty-nine, as to those who may hereafter enter the public service.

IV. It shall be lawful for the commissioners of the treasury from time to time, by any order or warrant, to declare that for the due and efficient discharge of the duties of any office or class of offices to be specified in such order or warrant, professional or other peculiar qualifications, not ordinarily to be acquired in the public service, are required, and that it is for the interest of the public that persons should be appointed thereto at an age exceeding that at which public service ordinarily begins; and by the same or any other order or warrant to direct that when any person now holding or who may hereafter be appointed to such office or any of such class of offices shall retire from the public service, a number of years not exceeding twenty, to be specified in the said order or warrant, shall, in computing the amount of superannuation allowance which may be granted to him under the foregoing section of this act, be added to the number of years during which he may have actually served, and also to direct that in respect of such office or class of offices the period of service required to entitle the holders to superannuation may be a period less than ten years, to be specified in the order or warrant; and also to direct that, in respect of such office or class of offices, the holder may be entitled to superannuation, though he may not hold his appointment directly from the Crown, and may not have entered the service with a certificate from the civil service commissioners: *Provided always*, That every order or warrant made under this enactment shall be laid before Parliament.

V. It shall be lawful for the commissioners of the treasury to grant to any person who, being the holder of an office in respect of which a superannuation allowance may be granted, but not having completed the period which would have entitled him to a superannuation allowance, is compelled to quit the public service by reason of severe bodily injury, occasioned, without his own default, in the discharge of his public duty, a gratuity not exceeding three months' pay for every two years of service, or a superannuation allowance not exceeding ten-sixtieths of the annual salary and emoluments of his office.

VI. It shall be lawful for the commissioners of the treasury to grant to any person who, being the holder of an office in respect of which a superannuation allowance may be granted, is constrained, from infirmity of mind or body, to leave the public service before the completion of the period which would entitle him to a superannuation allowance, such sum of money by way of gratuity as the said commissioners may think proper, but so as that no such gratuity shall exceed the amount of one month's pay for each year of service.

VII. It shall be lawful for the commissioners of the treasury to grant to any person retiring or removed from the public service in consequence of the abolition of his office, or for the purpose of facilitating improvements in the organization of the department to which he belongs, by which greater efficiency and economy can be effected, such special annual allowance by way of compensation as on a full consideration of the circumstances of the case may seem to the said commissioners to be a reasonable and just compensation for the loss of office; and if the compensation shall exceed the amount to which such person would have been entitled under the scale of superannu-

ation provided by this act if ten years were added to the number of years which he may have actually served, such allowance shall be granted by special minute, stating the special grounds for granting such allowance, which minute shall be laid before parliament, and no such allowance shall exceed two-thirds of the salary and emoluments of the office.

VIII. It shall not be lawful for the commissioners of the treasury to grant the full amount of superannuation allowance which can be granted under this act to any person not being the head officer or one of the head officers of a department, unless upon production of a certificate (signed by the head officer of the department, or by two head officers, if there be more than one) that he has served with diligence and fidelity to the satisfaction of such head officer or officers; and in every case in which any superannuation allowance is granted, after the refusal of such certificate, the minute granting it shall state such refusal and the grounds on which the allowance is granted.

IX. *Provided*, That it shall be lawful for the commissioners of the treasury to grant to any person any superannuation, compensation, gratuity, or other allowance of greater amount than the amount which might be awarded to him under the foregoing provisions, when special services rendered by such person, and requiring special reward, shall appear to them to justify such increase, but so that such allowance shall in no case exceed the salary and emoluments enjoyed by the grantee at the time of retirement, and the grounds of every such increase shall be stated in a minute of the treasury, which shall be laid before parliament; and it shall be lawful for the said commissioners to grant to any person any such allowance of less amount than otherwise would have been awarded to him where his defaults or demerit in relation to the public service appear to them to justify such diminution.

X. It shall not be lawful to grant any superannuation allowance under the provisions of this act to any person who shall be under sixty years, unless upon medical certificate to the satisfaction of the commissioners of the treasury that he is incapable, from infirmity of mind or body, to discharge the duties of his situation, and that such infirmity is likely to be permanent.

XI. Every person to whom a superannuation or compensation allowance shall have been granted before he shall have attained the age of sixty years shall, until he has attained that age, be liable to be called upon to fill, in any part of Her Majesty's dominions in which he shall before have served, any public office or situation under the Crown for which his previous public services may render him eligible; and if he shall decline, when called upon to do so, to take upon him such office or situation, or shall decline or neglect to execute the duties thereof satisfactorily, being in a competent state of health, he shall forfeit his right to the compensation or superannuation allowance which had been granted to him.

XII. And whereas it will be for the advantage of the public service that officers holding employments entitling them to superannuation allowances under this or other acts shall be eligible for other public employments at home and abroad, without forfeiting their claims to such allowances.

Every officer already or hereafter to be transferred from employment entitling him to superannuation allowance to public employment under the Crown not so entitling him shall be entitled, on his ultimate retirement from the public service, to the same allowance as if he had continued to hold the vacated appointment and at the same rate of salary as when the same was vacated, subject nevertheless to the conditions which would in that case have been applicable with respect to the grant of such allowance; provided that it shall be lawful for the commissioners of the treasury, in the case of officers transferred to governorships and lieutenant-governorships of colonies, and other high offices abroad, conferred for a limited period, to grant such superannuation allowance to such officers on the expiration of such term of service without a renewal of public employment; but any officer to whom such grant is made while under the age of sixty years shall be subject to the same liability to be called upon to fill office under the Crown, as herein provided concerning other persons under that age to whom like allowances are granted.

XIII. All orders, warrants, and minutes by this act directed to be laid before Parliament shall be laid before both Houses of Parliament within fourteen days after the making thereof if Parliament be sitting, and if Parliament be not sitting, then within fourteen days after the next meeting thereof.

XIV. No pension shall be granted under the provisions of section six of the act of the fifty-seventh year of King George the Third, chapter sixty-five, to any person who shall not have had a seat in one of the Houses of Parliament during the period or one-half of the period for which he has held office, as in the said section is mentioned.

XV. The several sections mentioned in the schedule hereto of the several acts of Parliament, also therein mentioned, shall be construed as if this act, instead of the said act of the fourth and fifth years of the reign of King William the Fourth, had been referred to in the said sections; and such other enactments as refer to the scale of superannuation allowance established by the provisions hereby repealed of the said act of King William the Fourth shall be construed as if the scale established by this act had been referred to.

XVI. All superannuations, compensations, gratuities, and other allowances granted or hereafter under this act to be granted shall be paid to the persons entitled to receive the same without any abatement or deduction in respect of any taxes or duties whatever at present existing, except the tax upon property or income.

XVII. For the purposes of this act, no person hereafter to be appointed shall be deemed to have served in the permanent civil service of the State unless such person holds his appointment directly from the Crown, or has been admitted into the civil service with a certificate from the civil service commissioners; nor shall any person, already appointed to any office, be held to have served in the permanent civil service as aforesaid, unless such person belong to a class which is already entitled to superannuation allowance, or to a class in which, if he had been appointed thereto subsequently to the passing of this act, he would, as holding his appointment directly from the Crown, or as having been admitted into the civil service with such certificate as aforesaid, have become entitled to such allowance; and no person shall be entitled to any superannuation allowance under this act, unless his salary or remuneration has been provided out of the consolidated fund of the United Kingdom of Great Britain and Ireland, or out of monies voted by Parliament.

XVIII. So much of the said act of the fourth and fifth years of King William the Fourth, chapter twenty-four, as is now in force and not hereby repealed, and this act, shall be construed together as one act.

XIX. It shall be sufficient, in citing this act, to use the expression "The superannuation act, 1859."

Schedule A.

5 & 6 W. 4. c. 42. s. 1.	15 & 16 Vict. c. 73. s. 15.
7 W. 4. & 1 Vict. c. 30. s. 21.	15 & 16 Vict. c. 87. s. 46.
8 & 9 Vict. c. 100. ss. 5. 10.	17 & 18 Vict. c. 78. s. 22.
13 & 14 Vict. c. 89. s. 39.	19 & 20 Vict. c. 110. s. 9.

APPENDIX III.

SUPERANNUATION ACT, 1887.

[50 & 51 Vict., Chapter 67.]

AN ACT To amend the superannuation acts, 1834 and 1859, and for other purposes. [16th September 1887.]

Be it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Lords spiritual and temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

1. (1) Where a person employed in the civil service of the state is injured—
 (a) in the actual discharge of his duty; and
 (b) without his own default; and
 (c) by some injury specifically attributable to the nature of his duty,
 the treasury may grant to him, or, if he dies from the injury, to his widow, his mother, if wholly dependent on him at the time of his death, and to his children, or to any of them, such gratuity or annual allowance as the treasury may consider reasonable, and as may be permitted by the terms of a warrant under this section.

(2) The treasury shall forthwith after the passing of this act frame a warrant regulating the grant of gratuities and annual allowances under this section, and the warrant so framed shall be laid before Parliament.

(3) *Provided*, That a gratuity under this section shall not exceed one year's salary of the person injured, and an allowance under this section shall not, together with any superannuation allowance to which he is otherwise entitled, exceed the salary of the person injured, or three hundred pounds a year, whichever is less.

2. (1) Where a civil servant is removed from his office on the ground of his inability to discharge efficiently the duties of his office, and a superannuation allowance can not lawfully be granted to him under the superannuation acts, 1834 and 1859, and the

treasury think that the special circumstances of the case justify the grant to him of a retiring allowance, they may grant to him such retiring allowance as they think just and proper, but in no case exceeding the amount for which his length of service would qualify him under sections two and four of the superannuation act, 1859, without any addition under section seven of that act.

(2) A minute of the treasury granting an allowance under this section to any civil servant shall set forth the amount of the allowance granted to him, and the reasons for such allowance, and shall be laid before Parliament: *Provided*, That the treasury before making the grant shall consider any representation which the civil servant removed may have submitted to them.

3. Where a person at the time he becomes a civil servant within the meaning of this act is serving the state in a temporary capacity, the treasury may, if in their opinion any special circumstances of the case warrant such a course, direct that his service in that capacity may be reckoned for the purposes of the superannuation acts, 1834 and 1859, and this act, as service in the capacity of a civil servant, and it shall be so reckoned accordingly.

4. If a person employed in any public department in a capacity in respect of which a superannuation allowance can not be granted under the superannuation act, 1859, retires, or is removed from his employment, and

(a) the employment is one to which he was required to devote his whole time, and

(b) the remuneration for the employment was paid entirely out of moneys provided by Parliament, and

(c) he has served in the employment for not less than seven years, if he is removed in consequence of the abolition of his employment, or for the purpose of facilitating improvements in the organisation of the department by which economy can be effected, or for not less than fifteen years if his retirement is caused from infirmity of mind or body, permanently incapacitating him from the duties of his employment, the treasury may, if they think fit, grant to him a compassionate gratuity not exceeding one pound or one week's pay, whichever is the greater, for each year of his service in his employment.

5. A person shall not be entitled to reckon the same period of time both for the purpose of a superannuation allowance under the superannuation acts, 1834 and 1859, and this act, and also for the purpose of naval or military noneffective pay.

6. (1) The treasury may, within one month after the passing of this act, frame rules as to the conditions on which any civil employment of profit under any public department as defined by this act, or any employment of profit under the government of any British possession, or any employment under the government of any foreign state may be accepted or held by any persons who is in receipt of or has received any sum granted by Parliament for the pay, half-pay, or retired pay of officers of Her Majesty's naval or land forces, or otherwise for payment for past service in either of such forces, or who has commuted the right to receive the same, and as to the effect of such acceptance or holding on the said pay or sum, and the treasury may in such rules provide for the enforcement thereof by the forfeiture, suspension, or reduction of any such pay or sum as aforesaid, or of any commutation money or remuneration for such employment.

(2) Such rules shall also provide for the returns to be laid before Parliament of such officers accepting employment as are affected by the rules, and shall come into operation at the date of the passing of this act.

(3) The rules shall be laid before both houses of Parliament forthwith.

(4) For the purposes of this section "British possession" means any part of Her Majesty's dominions out of the United Kingdom, and this section shall apply to Cyprus as if it were a British possession.

7. (1) Where any sum in respect of pay, pension, superannuation, or other allowance or annuity is due in respect either of service as a civil servant, or of military or naval service, to a person who is a lunatic, whether so found by inquisition or not, such sum may be from time to time applied for his benefit by the prescribed public department in such manner as the department think expedient.

(2) Where any annuity, whether pension, superannuation, or other allowance, is payable out of moneys provided by Parliament to a person in respect either of service as a civil servant or of military or naval service, and such person is or becomes a lunatic toward whose maintenance a contribution is made out of money provided by Parliament, then as long as the contribution is made his annuity shall be reduced by an amount equal to that contribution, and if the amount of the contribution exceeds the amount of the annuity, the annuity shall cease to be payable.

8. On the death of a person to whom any sum not exceeding one hundred pounds is due from a public department in respect of any civil pay, superannuation, or other allowance, annuity or gratuity, then, if the prescribed public department so direct, but subject to the regulations (if any) made by the treasury, probate or other proof

of the title of the personal representative of the deceased person may be dispensed with, and the said sum may be paid or distributed to or among the persons appearing to the public department to be beneficially entitled to the personal estate of the deceased person, or to or among any one or more of those persons, or in case of the illegitimacy of the deceased person or his children, to or among such persons as the department may think fit, and the department shall be discharged from all liability in respect of any such payment or distribution.

9. The decision of the treasury on any question which arises as to the application of any section of this act to any person, or as to the amount of any allowance or gratuity under this act, or as to the reckoning of any service for such allowance or gratuity, shall be final.

10. Nothing in this act shall be construed so as in any way to interfere with the rights existing at the passing of this act of any civil servant then holding office.

11. Every warrant and minute under this act which is required to be laid before Parliament shall be laid before both houses of Parliament in manner provided by section thirteen of the superannuation act, 1859.

12. In this act, unless the context otherwise requires—
The expression “civil servant” means a person who has served in an established capacity in the permanent civil service of the state within the meaning of section seventeen of the superannuation act, 1859;

The expression “treasury” means the commissioners of Her Majesty’s treasury;
The expression “public department” means the treasury, the commissioners for executing the office of Lord High Admiral, and any of Her Majesty’s principal secretaries of state, and any other public department of the government; and the expression “prescribed public department” means, as respects any matter, the department prescribed for the purpose of that matter by the treasury.

13. The act of the session of the fourth and fifth years of the reign of King William the Fourth, chapter twenty-four, intituled “An act to alter, amend, and consolidate the laws for regulating the pensions, compensations, and allowances to be made to persons in respect of their having held civil offices in His Majesty’s service,” is in this act referred to and may be cited as the superannuation act, 1834, and that act and the superannuation act, 1859, are together in this act referred to as the superannuation acts, 1834 and 1859.

The said acts and this act may be cited together as the superannuation acts, 1834 to 1887, and this act may be cited separately as the superannuation act, 1887.

14. The acts set forth in the schedule to this act are hereby repealed to the extent in the third column of that schedule mentioned as from the passing of this act, without prejudice to anything previously done or suffered in pursuance of the enactments hereby repealed.

Schedule.

ACTS REPEALED.

Session and chapter.	Title or short title.	Extent of repeal.
4 & 5 Will. 4 c. 24....	An act to alter, amend, and consolidate the laws for regulating pensions, compensations, and allowances to be made to persons in respect of their having held civil offices in His Majesty’s service.	Section sixteen.
6 & 7 Will. 4 c. 13....	An act to consolidate the laws relating to the constabulary force in Ireland.	Section thirty.
7 Will. 4 & 1 Vict. c. 25.	An act to make more effectual provisions relating to the police in the district of Dublin metropolis.	Section nineteen.
2 & 3 Vict. c. 47.....	An act for further improving the police in and near the metropolis.	Section nineteen.
2 & 3 Vict. c. 93.....	An act for the establishment of county and district constables by the authority of justices of the peace.	Section eleven.
22 Vict. c. 26.....	The superannuation act, 1859.....	Section five.
22 & 23 Vict. c. 32...	An act to amend the law concerning the police in counties and boroughs in England and Wales.	Section twenty-seven.

Schedule—Continued.

ACTS REPEALED—Continued.

Session and chapter.	Title or short title.	Extent of repeal.
31 & 32 Vict. c. 90...	An act to empower certain public departments to pay otherwise than to executors or administrators small sums due on account of pay or allowances to persons deceased.	The whole act.
33 & 34 Vict. c. 96...	An act to apply a sum out of the consolidated fund to the service of the year ending the thirty-first day of March one thousand eight hundred and seventy-one, and to appropriate the supplies granted in this session of Parliament.	Subsections four, five, and six of section six.
35 & 36 Vict. c. 12...	The superannuation act, 1872.....	The whole act.

APPENDIX IV.

WARRANT REGULATING THE GRANT OF GRATUITIES AND ALLOWANCES UNDER SECTION 1 OF THE SUPERANNUATION ACT, 1887.

In conformity with the provisions of the 1st section of the superannuation act, 1887, we, being two of the lords commissioners of Her Majesty's treasury, do hereby direct that any award of a gratuity or annual allowance made under the said section shall be subject to the following conditions, viz:

The award shall be calculated upon one or other of the following scales, which shall respectively apply to—

I. Established officers of prisons or criminal lunatic asylums injured by the violence of a prisoner or lunatic; or established officers of a manufacturing department of the war office or Admiralty, in which the duties are exceptionally dangerous.

II. All civil servants not falling under the above description, and also all hired person employed in a manufacturing department of the war office or Admiralty in which the duties are exceptionally dangerous.

III. All other hired persons employed in a public department.

SCALES I AND II.

To the retired allowance for which the injured man would be qualified by length of service, shall be added an allowance not exceeding the under-mentioned portion of his salary and emoluments at the date of the injury, viz:

When his capacity to contribute to his support is—

	Scale I.	Scale II.
Slightly impaired.....	Six-sixtieths.....	Five-sixtieths.
Impaired.....	Twelve-sixtieths.....	Ten-sixtieths.
Materially impaired.....	Eighteen-sixtieths.....	Fifteen-sixtieths.
Totally destroyed.....	Twenty-four-sixtieths ..	Twenty-sixtieths.

Provided that no award on Scale I shall, together with any retired allowance for which the injured man would be qualified by length of service, exceed the amount of his salary and emoluments at the date of the injury, or £300 a year, whichever is less; and that no award on Scale II shall, together with any retired allowance for which he would be qualified by length of service, exceed fifty-sixtieths of his salary and emoluments at the date of the injury, or £300 a year, whichever is less.

SCALE III.

(a) A gratuity not exceeding the under-mentioned portion of the salary and emoluments of the injured man at the date of the injury, or £100, whichever is less, viz:

When his capacity to contribute to his support is—

Slightly impaired, one-third.

Impaired, two-thirds.

Materially impaired, the whole.

(b) When his capacity to contribute to his support is totally destroyed, he shall receive an annual allowance exceeding by fifteen-sixtieths of his salary and emoluments the rate of retired allowance for which he would have been qualified by length of service if he had been a civil servant, provided that the total award shall not exceed forty-five-sixtieths of his salary and emoluments at the date of the injury, or £300 a year, whichever is less.

An award under any of the above scales shall be so much less than the usual amount as the treasury shall think reasonable, in case—

(a) The usual amount exceeds by not less than £100 a year the rate of retired allowance for which the length of the injured man's service would entitle him; or

(b) The injured man has continued to serve for not less than one year after the injury in respect of which he retires; or

(c) The injured man is 55 years of age or upwards at the date of the injury; or

(d) The injury is not the sole cause of retirement, *i. e.*, the retirement is caused partly by age or infirmity.

WIDOWS AND CHILDREN OF MEN KILLED WHILE IN THE DISCHARGE OF DUTY.

An award shall be on one or other of the following scales, according as the deceased had been—

I. An established officer of a prison or of a criminal lunatic asylum killed by a prisoner or lunatic; or an established officer of a manufacturing department of the war office or Admiralty, of which the duties are exceptionally dangerous.

II. A civil servant not falling under the above description, or a hired person employed in a manufacturing department as above.

III. Any other hired person employed in a public department.

SCALE I.

Pension to widow, while unmarried and of good character, not exceeding ten-sixtieths of the husband's salary and emoluments at the date of the injury, or £15 a year, whichever is greater; and

Pension to each child until he or she attains the age of 15, not exceeding one-sixth of the rate which might be granted to the widow, but the aggregate of the children's pensions not to exceed the amount which might be granted to the widow.

SCALE II.

Pension to widow not to exceed ten-sixtieths of the husband's salary and emoluments, or £10 a year, whichever is greater; and

Gratuity to children, not exceeding £1 multiplied by the total number of their years, starting from their ages at the time of their father's death, and ending with 15 years; the total gratuity not to be less than £10 or more than £50.

SCALE III.

Pension to the widow not exceeding eight-sixtieths of the husband's salary and emoluments, or £10, whichever is greater.

Gratuity to children not exceeding 16 shillings multiplied by the total number of their years, starting from their ages at the date of their father's death and ending with 15 years; the total gratuity not to be less than £8 or more than £40.

In the case of motherless children the award under any scale may be of twice the usual rate.

If the service of the deceased at the date of the injury was less than five years the award under any scale shall be—

To the widow a gratuity not exceeding one-half of the salary and emoluments of the deceased.

To each child a gratuity not exceeding one-twelfth of the salary and emoluments of the deceased; but the total gratuity to widow and children shall not exceed one year's salary and emoluments of the deceased.

MOTHERS OF MEN KILLED IN THE DISCHARGE OF DUTY.

If the deceased does not leave a widow, and if his mother was wholly dependent upon him for her support, the award which might have been made to a widow may be made to the mother.

(Signed)

HERBERT EUSTACE MAXWELL.
W. H. WALROND.

TREASURY CHAMBERS, *September, 1887.*

APPENDIX V.

SCHEME OF COMPENSATION (NO. 116) IN CASE OF INJURY TO WORKMEN IN GOVERNMENT ESTABLISHMENTS.

[D. 780—Established May, 1903; revised December, 1907.]

Certified by the chief registrar of friendly societies, under date of 16th December, 1907, as providing scales of compensation not less favourable to the workmen and their dependants than the corresponding scales in the workmen's compensation act, 1906. The new or altered provisions are italicized.

A. Death from injury.

1. When it is established to the satisfaction of the treasury that the death of a workman has resulted from an injury to which the provisions of the workmen's compensation act, 1906, apply, and that the workman has left any dependants wholly or partially dependent upon his earnings at the time of his death, a sum equal to the earnings of the deceased in the employment of the Government during the three years next preceding the injury, or the sum of £150, whichever is the larger, but not exceeding in any case £300, shall be payable in the case of dependants wholly dependent, and half the same sum in the case of dependants partially dependent (where there are no dependants wholly dependent); provided that the amount of any weekly payments made under this scheme in respect of the injury causing the death of the workman *and any lump sum paid in commutation thereof* shall be deducted from the sum payable.

If the period of the workman's employment by the Government has been less than the said three years, the amount of the earnings of the deceased during the said three years shall be deemed to be 156 times his average weekly earnings during the period of his actual employment by the Government.

The sum awarded will be paid to the dependants or to a trustee or trustees on their behalf as the case may be.

2. The treasury may, in any case in which the authorities of a department consider that the interests of a workman's dependants would be better served by a pension to the widow or mother (where there is no widow) than by a lump sum, deal with the case as follows, namely:

There shall be deducted from the lump sum payable to the dependants under the scheme a portion for the dependent child or children, if any. Such portion shall not exceed one-half of the entire amount if there is only one child, or two-thirds if there are more than one, and there shall be granted to the widow or mother (where there is no widow) a pension equal to the annuity which the remainder of the aforesaid lump sum would purchase according to the post-office tables for the purchase of immediate annuities. Such pension shall not be liable to forfeiture in the event of the re-marriage of the recipient.

3. If the authorities of the department consider it desirable in the interests of a workman's dependants that a trustee or trustees should be appointed to administer for their benefit the money awarded as compensation to them, they may appoint a trustee or trustees, and pay the said money to him or them to be administered for the benefit of the dependants accordingly.

4. On the death of a workman leaving no dependants a payment of not more than £10 shall be made, *to cover the reasonable expenses of his medical attendance and burial*, as under the workmen's compensation act.

B. Incapacity from injury.

5. When incapacity for work results from the injury, the injured workman shall receive for the period, not exceeding six months, during which he is on the hurt list on account of the injury, half his average weekly earnings during the previous 12 months, if he has been so long employed, and if not, half his average weekly earnings for any less period during which he has been in the employment of the Government.

Should, however, the average weekly earnings of a workman, who is under 21 years of age at the date of the injury, be less than 20 shillings, such earnings shall be paid in full, but the weekly payments shall in no case exceed 10 shillings.

6. Should the rate of pay of his class be increased while he is on the hurt list he shall participate in the increase.

7. In addition he shall receive free treatment in hospital, when the use of a hospital is available to his department for the purpose. When it is not so available, he shall receive free medical attendance.

8. Any workmen now serving who are entitled under the regulations of their department to more favourable treatment while on the hurt list than is provided for above shall continue to be so entitled.

9. When total or partial incapacity for work continues beyond the period for which the workman receives hurt pay, as provided by clause 5, an allowance shall be paid to him at the following rates, during the continuance of the incapacity, viz: When his capacity to contribute towards his own support has been shown to the satisfaction of the treasury to have been—

- (1) Totally destroyed, then twenty-four sixtieths;
- (2) Materially impaired, eighteen sixtieths;
- (3) Impaired, twelve sixtieths;
- (4) Slightly impaired, six sixtieths;

of his average weekly earnings during the previous 12 months, if he has been so long employed; but if not then during any less period for which he has been in the employment of the Government. *Provided that in any case where it appears on sufficient evidence that a doubt exists as to the incapacity of the workman under this clause the treasury may obtain the opinion of a second medical practitioner.*

In the case of a workman who was under 21 years of age at the date of the injury, and whose average weekly earnings were less than 20 shillings, double the above rates of compensation shall be awarded, provided that the weekly payment shall in no case exceed 10 shillings.

10. If the workman continues in or returns to the employment of the Government after the injury, the allowance awarded to him by way of compensation shall be paid to him in addition to his earnings in the employment of the Government so long as the degree of incapacity continues on account of which it was awarded, provided that the said allowance, when added to his weekly earnings shall not exceed his average weekly earnings during the 12 months preceding the injury, or during any shorter period for which he has been in the employment of the Government, as the case may be. *Until such limit is reached no deduction shall be made from the said allowance.*

In the case of a workman who was under 21 years of age at the date of the injury, and whose average weekly earnings were less than 20 shillings, the allowance awarded by way of compensation, when added to his weekly earnings, may be allowed to exceed the average weekly earnings before the injury, as above determined, by such an amount as the treasury may think that the circumstances justify.

Periodical adjustments of the award in accordance with these provisions may be made at such intervals as may be sanctioned by the treasury.

11. If, after the injury, the workman leaves the employment of the Government, the allowance shall be in addition to the pension, if any, for which he is qualified by length of service, provided that the compensation for injury and the pension in respect of length of service shall not together exceed his pay at the date of the injury, or £300 a year, whichever is the less.

12. A permanent allowance awarded by way of compensation may be commuted for a single payment, the amount of which shall be settled between the workman and the authorities of the department, with the sanction of the treasury.

13. A claim for compensation for an injury which occurred more than three years before the claim is preferred, and which is not the cause of the applicant's discharge from the service, can not be entertained unless it can be clearly shown that the prospect of obtaining further employment has been diminished in consequence of the injury.

14. *Any workman who wishes to withdraw from the scheme may do so at any time. Notice of withdrawal must be given by him in writing, on a form which will be supplied for the purpose on application, and the withdrawal will take effect as regards any accident happening after the receipt of the notice by the duly authorised officer.*

15. Workmen who do not contract that the provisions of the scheme shall be substituted for the provisions of the act, *or who at any time withdraw from the scheme*, must thenceforward be dealt with, in cases of injury, solely in the manner provided by the act; and any benefits, in cases of injury, which such workmen now receive can no longer be accorded.

APPENDIX VI.

AN ACT To amend the superannuation acts, 1834 to 1892 (20th September, 1909).

Be it enacted by the King's Most Excellent Majesty, by and with the advice and consent of the Lords, spiritual and temporal, and Commons, in this present Parliament assembled and by the authority of the same, as follows:

I. (1) The proportion of the annual salary and emoluments on which the scale of the superannuation allowances to be granted to male civil servants is to be calculated shall, in the case of civil servants who enter the service after the passing of this act, be one-eightieth instead of one-sixtieth, and accordingly section two of the superannuation act, 1859, shall, as respects such civil servants, have effect as if for the words "sixtieth" and "sixtieths," wherever they occur, there were substituted the words "eightieth" and "eightieths."

(2) The treasury may grant by way of additional allowance to any such civil servant who retires after having served for not less than two years, in addition to the superannuation allowance (if any) to which he may become entitled or the gratuity (if any) which may be granted to him under section six of the superannuation act, 1859, a lump sum equal to one-thirtieth of the annual salary and emoluments of his office multiplied by the number of complete years he has served, so, however, that the additional allowance shall in no case exceed one and a half times the amount of such salary and emoluments:

Provided, That, if a civil servant retires from the service after attaining the age of sixty-five years, there shall be deducted from the amount of the additional allowance which would otherwise be payable to him one-twentieth of that amount for every complete year he has served after attaining that age.

II. (1) Where a male civil servant who enters the service after the passing of this act dies, after he has served five years or upwards, whilst still employed in the service, the treasury may grant to his legal personal representatives a gratuity equal to the annual salary and emoluments of his office:

Provided, That if he dies after attaining the age of sixty-five years, the amount of the gratuity which may be so granted shall be reduced by one-twentieth of that amount for every complete year he has served after attaining that age.

(2) Where any such civil servant having become entitled to a superannuation allowance dies after he has retired from the service, and the sums actually received by him at the time of his death on account of such superannuation allowance, together with the sum received by him by way of additional allowance, are less than the amount of the annual salary and emoluments of his office, the treasury may grant to his legal personal representatives a gratuity equal to the deficiency.

III. (1) Subject to regulations made by the treasury, the treasury may allow any male civil servant who has entered the service before the date of the passing of this act, and who at that date is under sixty years of age, to adopt the provisions of this act, and in such case there may be granted to him or his legal personal representatives such superannuation and other allowances and gratuity as might have been granted had he entered the service after the passing of this act, except that the amount of the additional allowance payable on retirement shall be increased by one-half per cent in respect of each complete year he had served at the passing of this act.

(2) Nothing in this act shall affect the right to superannuation allowance or gratuity of a civil servant who has entered the service before the passing of this act, and who either is at that time over sixty years of age, or is under sixty years of age and does not adopt the provisions of this act.

IV. Subject to the provisions of this act the provisions of the superannuation acts, 1834 to 1892, with respect to the qualifications for obtaining superannuation allowances and gratuities, and to the manner of reckoning years of service and amount of annual salary and emoluments, and to the diminution of superannuation allowances, and to the determination of questions by the treasury shall apply in respect of additional allowances and gratuities under this act in like manner as they apply in respect of superannuation allowances under those acts.

V. A warrant framed by the treasury under section one of the superannuation act, 1887, with respect to the grant of gratuities and allowances to civil servants injured in the discharge of their duty may be revoked or from time to time varied by a fresh warrant, and every such warrant shall be laid before Parliament.

VI. (1) It shall be lawful for the treasury to grant to any person retiring or removed from the public service in consequence of the abolition of his office, or for the purpose of facilitating improvements in the organisation of the department to which he belonged, by which greater efficiency and economy can be effected, such special allowance or allowances by way of compensation as on a full consideration of the circumstances of the case seem to the treasury to be a reasonable and just compensation for the loss of office, but not exceeding in any case the amount which a civil servant would be entitled to or which might be granted to a civil servant if he retired on the ground of ill health.

(2) The foregoing provision shall apply only to persons entering the service after the date of the passing of this act, and shall apply to those persons in substitution for section seven of the superannuation act, 1859.

Nothing herein contained shall affect the application of the said section seven of the superannuation act, 1859, to persons who have entered the service before that date or the practice of the treasury thereunder.

VII. (1) The treasury may from time to time make rules for the purpose of carrying this act into effect and for making such adaptations and modifications of the provisions of the superannuation acts, 1834 to 1892, and other enactments relating to superannuation allowances and pensions of persons who have served partly in the civil service and partly in some other service entitling them to a pension as may be necessary for adapting those provisions to the provisions of this act, and for altering the rules made by the treasury under the superannuation act, 1892.

(2) Before any rules made under this section come into force a draft thereof shall be laid before each House of Parliament for a period of not less than thirty days during the session of Parliament, and if either of those houses of Parliament, before the expiration of those thirty days, presents an address to His Majesty against the draft or any part thereof, no further proceedings shall be taken thereon, without prejudice to the making of any new draft rules.

VIII. This act may be cited as the superannuation act, 1909, and shall be read as one with the superannuation acts, 1834 to 1892, and those acts and this act may be cited together as the superannuation acts, 1834 to 1909.

CIVIL-SERVICE RETIREMENT IN NEW ZEALAND.

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CIVIL SERVICE RETIREMENT IN NEW ZEALAND.

BY HERBERT D. BROWN.^a

SUMMARY.

The Government of New Zealand has proceeded with great deliberation and conservatism in working out the problem of retiring its civil employees. It has profited to a marked degree by the experience of others, and has sought to avoid mistakes that have wrecked the schemes of other countries.

A system of granting straight pensions and gratuities out of the Treasury was begun in 1858 and continued until 1871, when it was abolished, chiefly on the ground of expense.

Then for thirteen years the Government did nothing for its aged employees except pay "compensation" (they called it "compensation for loss of office") to the extent of one month's salary for every year that an employee had been in the service.

In 1886, with a view to the reduction of public expenditures, an act was passed which required all civil employees to save 5 per cent of their salaries. This amount was deducted from their salaries and handed over to the public trustee, an official of the New Zealand Government, whose functions and office may be called peculiar to that colony, who invested it and returned it with interest to the employee, when the latter left the public service.

This savings arrangement proving inadequate as a superannuation measure in the case of employees who lived a long time after retirement, it was abolished in 1893, and New Zealand adopted for civil employees a system of compulsory insurance through the Government Life Insurance Office. The premiums were deducted from salaries, according to a sliding scale. The employees insured themselves for each of two alternative benefits—for a death benefit in case of death before reaching the age of 60 years, or for an annuity if living at that age.

Compulsory insurance, owing to the heavy premiums necessary to provide both benefits, proved as unsatisfactory a provision for retirement as compulsory savings had been. All classes of government employees were discontented, but after 1893 no retirement legislation affecting employees of the "Public Service" proper was passed until 1907. Measures affecting special classes of government employees such as the police force, the railway officers, and teachers were

^a Mr. Brown desires to give credit to Harriet Connor Brown for valuable assistance in the collection of historical data.

passed, however, in the intervening years. The superannuation laws enacted were as follows:

In 1899, the Police Provident Fund Act, subsequently consolidated into "The Police Force Act, 1908." In 1902, the Government Railways Superannuation Fund Act, subsequently consolidated into "The Government Railways Act, 1908." In 1905 the Teachers' Superannuation Fund Act subsequently consolidated into "The Public Service Classification and Superannuation Amendment Act, 1908." In 1907 the Public Service Superannuation Act subsequently consolidated into "The Public Service Classification and Superannuation Act, 1908.'

It is reported (by the American consul-general at Auckland, New Zealand) that these separate schemes will no doubt soon be amalgamated in one uniform system. They are all established on a contributory basis, the employees paying into the fund a percentage of salary which varies according to age at entrance into the service, and the Government paying £20,000 (\$97,330) yearly to the public-service fund, besides whatever more may be necessary, £7,000 (\$34,066) to the teachers' fund, and guaranteeing to make up any deficiency in all other schemes. The pensions granted are based on length of service and average salary during the last three years. Payment of pensions on services rendered prior to the adoption of this plan is made entirely by the State. The State contributes something also to the pensions of those whose service begins after the adoption of the plan, since the benefits promised under the plan are more generous than could be provided by any feasible deduction from salary.^(a)

THE PENSION SYSTEM, 1858 TO 1871.

The changes made by New Zealand from time to time in its method of providing for superannuated employees reflect the material and economic progress of the colony.

The history of New Zealand as a British colony dates from the year 1840. From 1840 to 1853 New Zealand was governed as a Crown colony, all the real authority of government resting with officials in the Colonial Office in England. A governor, an executive council, and a legislative council held office in New Zealand, but all were appointed directly by the Crown. In 1852 the imperial Parliament passed an act which conferred on the colony a constitution. Popular elections were held in 1853 and the first colonial parliament met on May 24, 1854. Those who had drawn up the constitution had failed to provide for what is called "responsible government," by which is meant a government in which "Ministers, the responsible officers of the Crown, assume and resign office practically

^a See page 247.

at the will of a majority of the representatives of the people." The constitution of 1852 contained no provision for bringing the ministry to an end by vote of the House, and the Colonial Office in England had sent no directions on this point. All the newly elected members of the House of Representatives could do, therefore, was to make speeches, the real power being still vested in the old executive council. The acting governor was influenced by members of that same executive council, who were not disposed to give up their authority and privileges. The House presented an address to him, urging him to take measures to establish responsible government, but he replied that the act conferring the constitution contained nothing to sanction such a course and that he was unable to do anything without the permission of England. He agreed, however, to add three members of the House to the executive council, the three patent members of that body expressing themselves as willing to retire, on condition that suitable pensions were provided them. Three members of the House were accordingly sworn in as members of the executive council and therefore as responsible advisers to the governor, but after a few weeks' trial resigned. They assigned as reason for their resignation the fact that the acting governor had not called upon the patent members of the executive council to resign. He, in his turn, defended his action by saying that no pensions bill had been passed and it was impossible for him to turn his old advisers adrift. A conflict ensued between the administration and the assembly which resulted in a victory for the assembly. A bill was passed for the establishment of a ministry responsible to the House, and it was approved by the Home Government in a dispatch written by the secretary of state on December 8, 1854, but on condition, as will be seen from the following, that the retiring officials be pensioned at the expense of the colony:

I have taken the earliest opportunity of informing you that Her Majesty's Government have no objection whatever to offer to the establishment of the system known as "responsible government" in New Zealand. They have no reason to doubt that it will prove the best adapted for developing the interests as well as satisfying the wishes of the community. Nor have they any desire to propose terms or to lay down restrictions on your assent to the measures which may be necessary for that object, except that of which the necessity appears to be fully recognized by the General Assembly—namely, the making provision for certain officers who have accepted their offices on the equitable understanding of their permanence, and who now may be liable to removal.^(a)

PENSION ACT OF 1856.

At the first session of the second Parliament, which met on April 15, 1856, the first business taken up in both the House and legislative council was, accordingly, the formation of a responsible ministry.

^a New Zealand Parliamentary Debates, Second Parliament, 1856-1858, p. 13.

It was stated in Parliament that the great boon of responsible government could be secured only at some expense to the colony; that is, by payment of pensions to existing holders of office in order to allow of the new executive taking the practical administration of affairs. It was explained that the governor, in imposing that condition, was the mere agent of imperial authority and acting according to instructions from which he could not depart.^(a)

The first business before Parliament, therefore, was consideration of the proposed pensions bill, a measure which provided for buying off the old officials who had been appointed to their positions by the ruling powers in England. These were only three in number, the colonial secretary, the colonial treasurer, and the attorney-general, but pensions were not granted to them without debate, as it was contended by certain members of the House that these officials had not administered their offices so as to conduce to the welfare of the colony but the contrary, and that "retiring officers should be treated according to their deserts." Doctor Featherston, member from the city of Wellington, declared:

If, too, these pensions were granted, where was the House to stop? Ought not every individual who had been or was liable to be dismissed to be provided for in the same way? If these officials had any claim it was against the Colonial Office, whose servants and tools they had been; and, if there was one doctrine against which more than another the House was called upon to protest it was that of vested interests. If not guarded against, it would creep in at every point, till it imposed a burden that would be absolutely ruinous.^(b)

In reply to this Mr. Sewell said that,

His honorable friend, the member for Wellington city, had exaggerated the question before them by treating it as if it were, or as if it comprehended, some important general principle whether pensions should be granted to all officials on their having to retire on the introduction of responsible government. In voting for these pensions he should not vote for any such principle, and he had never placed it before the House in that light. Instead of placing the question on stilts in this way—instead of making it a grand question of constitutional principle—he had brought that subject before the House as a motion of practical business, on the ground that his excellency was under the impression—it might be an erroneous one—that he was bound, as the representative of the Home Government, to protect the interests of the gentlemen holding these offices, and to insist that, before removing them to make way for responsible officers, some provision should be made for them.^(b)

After considerable debate the bill pensioning the three officials was passed, although nearly all who took part in the discussion disclaimed the notion that "because a man had for many years received a large amount of public money, therefore he should receive a pen-

^a New Zealand Parliamentary Debates, Second Parliament, 1856–1858, p. 13.

^b *Idem*, p. 25.

sion on retiring or being displaced," and agreed to the measure merely as a means to an end.

PENSION ACT OF 1858 (THE FIRST GENERAL PENSION LAW).

Despite Mr. Sewell's assertion that the general principle of granting pensions to retiring officials was in no way involved in the passage of the Pension Bill of 1856, we find that only two years later a general pension system for the benefit of "any one in the civil service except extra clerks" was inaugurated. The Act of 1858 provided for retirement on annuity "in case of incapacity by age, ill-health, or other infirmity after ten years of faithful and diligent service. If the term of service had been ten to seventeen years, the annual allowance was one-fourth of the employee's average salary for the last three years. From seventeen to forty-five years the pension was one-third of such salary plus one-eighty-fourth of such salary for each year of service above seventeen. For forty-five years or more of service the allowance was two-thirds of the said salary. In the discretion of the governor in council, relief up to one year's salary could be granted the widow or family of one dying in the employ of the general Government."

REORGANIZATION OF CIVIL SERVICE AND PENSION ACT OF 1866.

Under the terms of a civil service act passed in 1866, changes were made in the provisions for grant of pensions to civil employees. This act was designed to provide for the organization, classification, and regulation of the civil service. Government employees were divided into five classes, appointments being made to the lowest class on probation. Examinations were provided, but they were not competitive. Promotion was made to depend on seniority in office, so far as that principle could be followed without detriment to the service, but the governor was authorized to appoint any one to a vacancy if he stated his reasons to the general assembly. Dismissal depended on the will of the executive. The allowance on retirement granted under this bill reflects the influence of the British Superannuation Act of 1859. It was fixed at one-sixtieth of the average salary (of the three preceding years) for each year of service, eleven-sixtieths for eleven years' service, twelve-sixtieths after twelve years' service, etc., up to forty-sixtieths, or two-thirds pay, after forty years or more of service.

ABOLITION OF CIVIL PENSIONS IN 1871.

Those sections of the Civil Service Act of 1866 which provided for pensions were repealed in 1871 as applied to persons coming into the service after that date; in other words, the pension system as a system was abolished, though pensions continued to be paid to those whom the colony had contracted to pension under the acts of 1858

or 1866. The report of the actuary on the prospective superannuation bill in November, 1907, shows that there were still 132 retired civil employees on the pension fund at that late day, and 86 prospective ones. ^(a) The pensions paid in 1906 amounted to over £25,988 (\$126,471), the gratuities to £8,377 (\$40,767), the compensations to £7,792 (\$37,920). ^(b)

The system was abandoned in 1871 because Parliament saw that the amount paid in pensions, though extremely small, was rapidly increasing proportionately. In eleven years it went up from about £160 (\$779) to about £7,400 (\$36,012), and there was fear that it might double itself in a very few years. ^(c) This opposition to the pension system because of its growing expense had undoubtedly unusual cogency in the year 1871, a memorable year in the annals of New Zealand. There was no money in the treasury for expenditure on future development, much less on pensions for past services. The total European population of the colony was then only 266,986 in number and the total value of exports only a little over £5,000,000 (\$24,332,500), more than half of which was gold. The colony was staggering under the effects of a fierce and devastating war with native tribes. One historian of New Zealand writes: "The characteristic feature in 1871 of colonization in New Zealand, as a whole, was stagnation. Industry languished; capital was withheld; property was depressed; employment, except in the gold fields and in their vicinity, was difficult to be obtained; and the scanty population attached to the soil was altogether inadequate to the development of the resources of the country." It is not surprising that the legislature should have regarded with disfavor a system of retiring public officials that promised to make increasing claims on a treasury already bare.

Another objection urged against the pension system was the fact that it made retrenchment in government work very difficult, a consideration that reflects a very interesting phase in the development of New Zealand. The decade of 1870-1880 is especially noteworthy in the history of the islands because of the development during that period of the public works policy, which resulted in the unification of the colony and the doubling of the population. The public debt amounted at that time to about £7,000,000 (\$34,065,500) and a large part of it had been spent in public works, but it had been raised on the credit of the provincial legislatures only. This experience had been sufficient to teach legislators that flexibility in the civil service was very advantageous when the Government was carrying on a vigorous system of public works. Frequently the exigencies of the task required that the service be temporarily increased or decreased.

^a Report on Public Service Superannuation Bill, 1906. Minutes of evidence, p. 6.

^b *Idem*, Appendix, p. 24.

^c Second Report of Royal Commission on Superannuation in the Civil Service, 1903. Minutes of evidence, p. 116.

Any system which seemed to interfere, either legally or morally, with a rather rapid reduction in the number of civil employees, when necessary, was unpopular with members of the legislature. It was natural, therefore, when entering on an enlarged policy of public works that they should be inclined to express their disapproval of a system which might hamper the effective execution of that policy.

It was contended also by some members that it was the business of the Government to pay adequate salaries, but not to support its employees in old age. This theory of independent contractual relations prevailing in debate, the pension system was abandoned, saving the rights of existing employees. Lump sums were to be bestowed on retirement either as gratuities in recognition of long service or compensation for loss of office, but no more yearly pensions were promised to those entering the service.

COMPULSORY SAVINGS SCHEME, 1886 TO 1893.

REASONS FOR ADOPTION OF THE SCHEME.

Great industrial changes took place in New Zealand between 1871, the date of the abolition of the civil pension system, and 1886, the year of the next legislation affecting civil employees. At the close of the decade of road, railway, and bridge making, New Zealand found itself with a great public debt, four thousand miles of telegraphs, eleven hundred miles of railways, and innumerable new roads and bridges. A period of profound business depression followed, in which the government service suffered with the rest of the colony. Even the gratuities and compensations granted civil employees were felt to be too great a charge for the overburdened public to bear. When, therefore, the civil-service reform bill was drawn up in 1886, a clause was inserted providing that civil employees should be required to set aside 5 per cent of their salaries, which should be returned to them with interest on their retirement from office. The compulsory savings scheme was purely a move in the interests of the taxpayer. It was to be supposed, of course, that the employee who received his savings in a lump sum, on leaving the service, would be less disposed to ask for a gratuity or compensation than the one who found himself entirely without funds on retirement from office.

This reform bill was intended to supersede the Civil Service Act of 1866, which was supposed to give the Government control of the civil service, but which had remained a dead letter on the statute books. The reform measure made explicit provision for the appointment, classification, dismissal, and retirement of civil employees. The clause providing for compulsory savings read as follows:

Out of the salary of every civil servant hereafter appointed there shall be deducted the sum of five per centum per annum, which said sum shall be paid into a separate fund to the public trustee, to be

invested at interest on such security as the Public Trust Office shall approve. It may invest the same along with other sum or sums, but a separate account shall be kept for the amount paid to the credit of each such officer.^(a)

It should perhaps be explained that the public trustee in New Zealand is an officer who administers all trusts placed in his hands under the Public Trust Act of 1872. The functions of the public trustee are very extensive, and include the care of estates of intestates, of lunatics, and of the natives of the colony, as well as of ordinary people. The object of the act was to relieve persons from being obliged to burden their friends with the responsibility of acting as trustees. Many owners of property avail themselves of the act. The Public Trust Officer never dies, never leaves the colony, never becomes insolvent. The office enjoys great popularity, and no fault could be found with the provision for placing the savings of the civil employees in the hands of the public trustee to be administered in the same way that he administered other trust funds. He invested it in ways he thought best, subject to the provisions of the act, lending it to the Government, to municipalities, and harbor boards, and investing it in mortgages. When the employee left the civil service the amount of his accumulations was returned to him with interest.

This new method of providing for retiring officials met with the general approval of the legislature. The object of the bill was plainly declared to be retrenchment in the civil service. Mr. Cowan, a member of the House, said:

This bill is the carrying-out of a pledge made by the premier some time ago, that he would endeavor to reduce the cost of the civil service by from £30,000 to £40,000 (\$145,995 to \$194,660). I commend him for his endeavors, and I believe that, after this bill is amended in committee, it will have an effect, and a considerable effect, in that direction.^(b)

Very little opposition was expressed, and that was mild. Mr. Conolly, of the House, complained that the clause seemed to mean a general reduction of salaries. Said he:

It must be remembered that it amounts to a reduction on all salaries of 5 per cent. I do not say that there is anything wrong in this provision, making a reduction in salaries by way of securing a pension or retiring allowance, and I believe, as the premier says, it is adopted in many large concerns. I think it exists in some of the English railway companies, and I do not think it is a bad plan at all. But I say the immediate effect is to reduce every man's salary by 5 per cent, and that, to those who have had no increase for a number of years is a species of injustice.^(c)

^a New Zealand Parliamentary Debates, vol. 55, p. 372.

^b Idem, p. 381.

^c Idem, p. 376.

In the legislative council Mr. Bonar contended that the provision should be amended so as to enable officers who had made arrangements with a life insurance office to be exempt from the payment of the 5 per cent, as they would still have to keep up their premiums.

Mr. Hatch of the House wished to limit the deduction to salaries above a certain amount, but held that the civil service was too well treated as it was, and that the principle of deductions was, therefore, quite proper in the interest of the colony. Said he:

I do not see how it [the deductions] can be taken off salaries of £40 to £50 (\$195 to \$243) a year; but when the salary rises to, say, £150 (\$730) a year there is no reason why the recipient of that salary should not pay to a fund to provide something for himself when he retires from the service. In fact, I do not see why we should not bring the civil service down to the position of the merchant service. If an employee who has been a long time in the latter service gets a present of £100 or more on retiring, his employer considers that he has been very liberal; but we see parties leaving the former service who have been in the receipt of £500 or £600 (\$2,433 or \$2,920) for years, and who get their thousand pounds or more when they retire. The sooner we bring the civil service to the position of the merchant service the better will it be for the colony, and the better we shall be served.^(a)

In answer to this, another member of the House, Mr. Gore, said:

I think the principle of clause 11 is very good. A previous speaker has said that the civil servants are very well able to look after themselves—and no doubt any man of fair education and good common-sense is able to take care of himself. But we have a duty to ourselves, and, although there may be many of the civil servants able to take care of themselves, there may be many others who are not provident enough to do so. I am not one of those who wish to see salaries reduced beyond what is a fair remuneration for a fair day's work. I think there are many of them who are paid too little, and possibly there may be some who are paid too much.^(b)

With this limited discussion the compulsory-savings clause in the civil service reform bill was passed and became a law. While it appears to have been satisfactory to a certain extent, it was apparent that, for the good of the service, other or additional legislation was necessary. It afforded no adequate provision for employees who might live many years after retiring from the civil service. The obvious complement of the scheme, a system of deferred annuities bought with the savings of the employees, is said to have been regarded with distrust, owing to the fact that New South Wales had inaugurated a scheme with some such provisions in 1884, and while the faults of that plan were not generally understood, nor the reasons for its failure, it was believed in New Zealand, a few years after its inception, that the fund was hopelessly insolvent.^(c)

^a New Zealand Parliamentary Debates, vol. 55, p. 376.

^b *Idem*, p. 378.

^c Report of Royal Commission on Superannuation in the Civil Service. 1903. Minutes of evidence, p. 116.

NEED OF A PROPER SUPERANNUATION SYSTEM RECOGNIZED.

The way in which thoughtful students of political institutions in New Zealand took note of the civil service's need of a proper superannuation scheme and the inadequacy of the existing law is well shown in the last chapter of Mr. William Gisborne's work entitled *The Colony of New Zealand*, published first in 1888, only two years after the passage of the civil service reform bill. As Mr. Gisborne had been previously a member of the House of Representatives and a Responsible Minister, his words may be taken as those of one who spoke with authority. Said he:

The civil service is an important factor in the work of representative institutions. Under the system of responsible government, which, in the case of British colonies is the outcome of those institutions, the civil service should, of course, be adapted to that system. It is very questionable whether under any system a civil service should, in the public interests, be in its personal composition changeable according to the changes of political parties in power. But under responsible government such periodical changes of persons employed in the civil service would be absurd, and most mischievous. Responsible government means that Ministers, the responsible officers of the Crown, assume and resign office practically at the will of a majority of the representatives of the people. Necessarily, therefore, at certain times, often at no distant intervals, ministers undertake the charge of executive departments, with the administrative work of which they are more or less unacquainted, and when, as during session, their time is absorbed by parliamentary work. It is indispensable then that there should be in each department permanent public servants, who are fully acquainted with their official work, and from whom the new ministers can at once obtain information necessary both for political and administrative purposes. Moreover, these permanent officers continue to carry on uninterruptedly the routine of public business. It is also necessary for the public good that these officers should be disconnected from political partisanship, and be loyal in respect of public business to each successive ministry. They should not be disqualified from voting at elections, but they certainly should not be allowed to take up active political positions in other respects. It is only in these ways that, under a system of responsible government, the civil service can become adapted to that system, and the public interests in all administrative work be best promoted.

These indispensable conditions of a civil service under a system of responsible government give a specialty to that service, and render its treatment one altogether distinct from that applicable to the private staff of a mercantile or financial establishment. Those who argue that Ministers of the Crown should be able to deal with the appointment, removal, and promotion of public servants just in the same way that the head of a firm would deal in those respects with his clerks, forget that those Ministers are only ephemeral representatives of political parties, and that they are dealing with matters not personally their own, while heads of firms are in both respects on a totally distinct footing. The adoption in the civil service of the practice in these respects by private firms would be disastrous to

public interests. Civil servants are not the personal servants of the Ministers of the day, but are the servants of the public, independently of political parties. It is in the public interests that these servants, while they are subject to rules which insure discipline and abstinence from active participation, beyond voting, in political struggles, should have held out to them some reasonable prospect of continuity of office, except in cases of misconduct, and thus secure to the public the growing advantage of their cumulative knowledge and experience. In this view it is not the Ministry, and it is not the civil service itself, which should be specially consulted, but the sole consideration should be what is most to the permanent advantage of the public as a whole. Accordingly, the problem is how, under the circumstances, public administration can be best conducted, and at the lowest cost compatible with that condition. Responsible government makes this provision in the case of high political office; the question now is what to do in the case of the rank and file of the official army.

The limitation of the number employed, the appointment of qualified persons, and the appropriation of salaries would rest with Ministers of the Crown and with the legislature, respectively. The proper organization of the civil service would indirectly, to some extent, affect these subjects, and would directly make provision on other subjects which essentially involve the economy and efficiency of public administration. Shortly, what is required, and what may be reasonably anticipated from proper organization, is to attract good men to the service, and to keep them there. For this purpose a system based on definite conditions which would answer that twofold object should be devised and adopted under legislative sanction. Vague, fluctuating, capricious treatment of public servants is repugnant to proper organization. Promiscuous patronage, arbitrary removal, and spasmodic rushes into indiscriminate retrenchment tend only to discouragement of good service, to the infliction of injustice, and, in the end, to the increase of expenditure and to the serious injury of public interests.

The following principles governing the constitution and conduct of the civil service in New Zealand appear to me to be vital:

First, the persons first appointed should have successfully passed either a competitive or a standard educational examination.

Secondly, there should be in the service classification which would allow of gradual promotion in rank and in pay taking place.

Thirdly, provision should be made for reasonable allowance in cases of removal from office on public grounds other than those of misconduct.

Fourthly, pensions on a graduated scale should be provided, either by general contribution from civil servants or by the State, for cases of retirement from illness, infirmity, or old age.

Fifthly, proper regulations should be made for the conduct and discipline of the civil service, and for the prohibition of civil servants taking an active part in politics beyond voting at elections.

It is, of course, impossible to hope that rules can altogether provide for all possible contingencies. The object of the rules is to assert general principles which would lessen as much as possible capricious or fluctuating exercise of authority over civil servants, would subject them to equitable treatment, and thus tend to the

greatest public advantage. At the same time it must be anticipated that from time to time exceptional cases will occur, which must be dealt with exceptionally on their own merits.

Looking at the present state of the New Zealand civil service, I regret that, owing to the absence of practical recognition of the foregoing principles, this state has been, and still is, lamentable, not only on account of the individuals directly concerned, but also on account of the public interests. It is in the latter view that this subject should be considered, though it is impossible to refrain from sorrow that a service containing a great number of able, faithful, and old public servants should be unjustly treated and undeservedly abused. The civil service seems to be kept as the scapegoat of the sins and misfortunes of the colony; and its home is the wilderness. So lately as September 10, 1890, Sir Frederick Whitaker, who has been in the colony since its foundation, and has continuously since 1852 held high political position, stated, in his place in the legislative council, that he had for many years past carefully watched the civil service here and in other countries, and had come to the conclusion that clearly the civil service of New Zealand was the worst paid and the worst treated in the British dominions. This corroboration of my view is the more strong because Sir Frederick Whitaker has had unrivaled opportunity of forming a judgment on the subject and his impartiality can not be questioned. I am glad to observe that recently a civil-service association has been formed. So long as this body acts, as it declares its intention to do, in the furtherance of its public interests, in due subjection to the law and the regulations of the service, it may be reasonably hoped that this association may do much legitimately to improve the status of the service and to strengthen its claims to just consideration. This step, and the fact that many leading public men in New Zealand are in favor of the general principles which I have mentioned in relation to the civil service, and that in the latest session the House of Representatives sanctioned classification in the post and telegraph department of the service, hold out a prospect that a better time is coming, and that, in the interests of the public at large as well as in its own, the New Zealand civil service may be placed on a proper footing of organization and efficiency.^(a)

CIVIL SERVICE INSURANCE ACT, 1893.

MAIN FEATURES OF THE ACT.

The compulsory savings arrangement having been found inadequate as a retirement measure for the civil service, the Civil Service Insurance Act, a combined assurance and annuity scheme for the benefit of civil servants, was passed in 1893 and made compulsory on all new entrants into the service under forty years of age. This provided that in return for monthly deductions, amounting to about £5 (\$24.33) annually for every £100 (\$486.65) of salary, the Government Life Insurance Department should contract to give a uniform initial insur-

^a The Colony of New Zealand, by William Gisborne, 1891, pp. 340-344.

ance of £100 (\$486.65), increasing with the salary until the age of 60 was attained, and after that age an annuity varying with the age at entry. Those who elected to pay a small extra premium could have the assurance continued beyond age 60 until death. Employees who had been appointed under the act of 1886 and had funds accumulated to their credit in the hands of the public trustee, or men of a certain age whom it would have been hard to force to insure in this way, were allowed to elect whether they would go on under the old system of 1886 or begin the new system of compulsory insurance under the act of 1893.

PURPOSE OF THE ACT.

The general purpose of the act was set forth by Mr. Ward, a member of the House, on moving the second reading of the bill. Said he:

Under "The Civil Service Reform Act, 1886," all persons appointed to the civil service were required to deposit with the public trustee 5 per cent of their salaries. Such amount was allowed to accumulate at interest, and remain in the Public Trust Office till the officer affected left the service. He thought it would be conceded that such an arrangement as that was a wise one, and had the effect of causing thrift to be practiced by those who joined the service. But, in the opinion of the Government, the existing measure did not go far enough. It contained nothing in the nature of an insurance or a pension in old age, and the Government were of opinion that a scheme of more importance should be adopted, so that there might not only be provision for a civil servant's widow in the event of his death, but that civil servants themselves should have an assured income to look forward to after retiring from the service. The Government attach great importance to the fact that this scheme would be self-supporting. The amount necessary would be paid by the civil servants, except in one particular. In the event of incapacity, arising from no fault of the officer, then a retiring compensation of one month's salary for each year is provided for; and there could be very little likelihood of anything in the shape of a large sum of money being required in this way. He might say that those who were being provided for under the measure would be treated in all respects the same as outsiders who found it desirable to patronize the Government Insurance Office. In fact the ordinary procedure of the office would be carried out by that department in dealing with insurances under this act. The act would only deal with those appointed under the Civil Service Reform Act of 1886. Those appointed prior to that act were entitled either to a pension or to compensation for loss of office. Those appointed since the act referred to were to retire at sixty years of age; and he might say that provision was made in the bill to enable those who might receive a pension in the event of their retiring at sixty years of age to receive also the full amount of insurance payable to them even if death took place after sixty. There was no amount stated in the bill as actually payable in the event of death, but the intention was to insure one year's salary. * * * (*a*)

a New Zealand Parliamentary Debates, vol. 79, p. 191.

DEBATE ON THE BILL IN PARLIAMENT.

In the debate which followed several objections to the bill were brought forward. It was asked whether those of the civil employees who had already insured their lives would have, under this bill, to effect another insurance, and it was explained by Mr. Ward that they would not be exempted if already insured in the government office or elsewhere, as the new insurance with that office was to be merely a variation of the compulsory savings arrangement under the Public Trust Office, and intended to take its place.

Several members expressed alarm at the idea of civil employees being brought under the government insurance scheme, fearing that the standard of health among them might be lower than among other policy holders. Although civil employees were required to pass a medical examination before joining the service, it was feared that the health of many might have deteriorated since such examination and the interests of other policyholders would therefore be jeopardized, if such persons were accepted by the Life Insurance Department on terms other than those on which ordinary insurers were admitted. An interesting section in the act gave the government power to bring in certain classes of people under the terms granted to civil servants, provided two-thirds of their number asked for it. The classes of Government employees thus privileged were—

- (1) All members of the police force.
- (2) All school-teachers under the "Education Act, 1877."
- (3) All women and girls employed in the telegraph or telephone service of the Government.
- (4) All persons permanently employed in the Government printing office.
- (5) All housekeepers, messengers, and gardeners in the permanent employment of the Government.
- (6) All wardens of prisons, lunatic asylums, or sanitarium attendants, criers of court, bailiffs, post-office distributors and telegraph messenger boys, light-house keepers, boatmen, laborers, and other persons in the permanent employment of the Government.
- (7) All clerks, artisans, workmen, and other persons in the temporary employment of the Government.
- (8) Officers, noncommissioned officers, and men of the defense force.

It was feared by some that to admit such bodies of public employees en masse into the privileges of the Government Life Insurance Department was an unwise procedure. The reply to these objections made by Mr. Ward in support of the bill, which voiced the view that eventually prevailed, is recorded as follows:

He might say at once that, in the event of an officer who was desirous of coming under this measure being in a very bad state of

health, and shortly expected to die, he would not be allowed to transfer, because the Government Insurance Department could not be expected to have its benefits shared by persons who were really known to be in such a state of health that no office would accept them; and that was only fair and proper. Upon the whole, the Government Insurance Department would accept without fresh medical certificates the whole staff of any department that applied to come under the bill, for the simple reason that every officer who now entered the civil service had to obtain a medical certificate before he was allowed to come in, and it was within the knowledge of officers that there were candidates refused entirely on the score of weak health. That being so, he thought it might be accepted pretty generally that the bulk of the civil servants of New Zealand were in very excellent health. He could only say, speaking from a short experience of the present system, that there had not been many cases of death. However, this scheme had received the very close attention of the Government Insurance Department, and they found that, provided the scheme were made to embrace a whole department, the basis would be so broad that they would be quite justified in taking the bulk of these people in. * * * It was not desirable, if a few officers alone applied, to admit them, as the honorable gentleman had indicated. The very thing which other honorable members were so anxious to prevent might then possibly take place. Neither ought they to admit cases that would be refused by other offices on the score of health. The safety of the thing consisted in the officers of any department coming in in a body. This was a very important point, and he might say at once that the Government would not alter the bill in this respect. He felt sure the officers of the departments would be very glad to take advantage of these provisions, and, by obtaining the two-thirds majority, they could, as a body, come under the act. * * *.^(a)

It should be explained that the New Zealand Government Life Insurance Department had been established in 1869, at a time when the failures of two well-known British offices had drawn public attention to the need of greater security in life assurance. The management of the department is vested in an officer called "The Government Insurance Commissioner," who is appointed by the governor on the recommendation of the Minister of the day. The department is conducted almost exactly on the same principles as those generally adopted by private mutual life insurance offices. All the usual classes of policies are issued to those who can pass the customary physical examination, and the colony is vigorously canvassed by traveling agents in search of new business.

The people of New Zealand took great interest in the department from the start. It has easily distanced all competitors. Its life-insurance business is almost as much as that of all of its ten competitors together. The people are said to prefer the government insurance because it has the guaranty of the Government behind it,

^a New Zealand Parliamentary Debates, vol. 79, pp. 194, 195.

because the rates are lower than in ordinary private companies, because its policies are incontestible and nonforfeitable, and because the profits of the business go to the insured. This state life insurance was not compulsory in the beginning for any class of citizens, but the act of 1893 made it compulsory for civil employees under forty years of age in lieu of a civil pension scheme. In case of leaving the public service an employee could surrender his policy and get a surrender value. Under no condition had he to forfeit the surrender value of his policy, even if dismissed for misconduct. The insurance department has from the first made the best possible terms to members of the civil service, so that they have enjoyed an advantage, in that respect, over the outside public. The money for the premiums is collected in the cheapest and easiest manner possible. It is simply deducted from the salaries by the proper government officials in the course of keeping their routine accounts and it is then handed over in a lump sum to the Government Life Insurance Department, which can thus easily afford to make especially favorable rates to the civil employees, since it has no commissions to pay for securing the business.

CRITICISM OF THE ACT.

The Insurance Act of 1893 does not seem to have been sufficient, however, as a substitute for a retirement plan. It can easily be seen that the price of endowment assurance is so high as to make it of little use to the civil employee of small salary as a means of furnishing him with an adequate retirement allowance.

The inadequacy of the endowment assurance as an old-age allowance made it necessary for the Government to supplement this provision, in a great many cases, with gratuities and compensations. The custom obtained of granting a gratuity to men who had been a long time in the service, especially prominent and useful employees, when they went out, six months' and sometimes a year's salary. This was done by special act of legislature, but the law of 1893 provided distinctly for granting an employee who became permanently incapacitated through no fault of his own a sum equal to one month's salary for each year of service. This allowance on account of invalidity was entirely separate from the annuity which came to him on reaching the age of 60. Under these terms a civil employee who became incapacitated from further work at the age of 57, 58, or 59 was in a much better financial position than one who kept his health, as he received a large lump sum, and at the age of 60 a regular annuity also.

The law was considered faulty, as it made no provision for widows and orphans except in the case of people who were killed in the service. If an employee under 60 years of age were killed at his work, his family received not merely his insurance but a gratuity also based on

his length of service. In many cases also of natural death special circumstances made it seem necessary to vote the widow a "compassionate" allowance.

A complete summary of the compensation, gratuities, and pensions paid yearly from 1858, the date of the inauguration of the first pension system in the colony, until 1907, the year when the Public Service Superannuation Act was passed, was made by Mr. Morris Fox, the actuary of the Government Life Insurance Department, who extracted this information from the journals of the House of Representatives. It will be seen that all the payments for pensions, gratuities, and compensation totaled for the year 1906-7 the large sum of £42,157 (\$205,157). The summary is as follows:

SUMMARY OF COMPENSATION, GRATUITIES, AND PENSIONS, 1859 TO 1907.

[From Report on Public Service Superannuation Bill, 1906, Appendix 6, p. 24.]

Financial year.	Compensation.	Gratuities.	Total compensation and gratuities.	Pensions under Civil Service Acts.
1859-60.....				\$907. 76
1860-61.....		\$2, 189. 93	\$2, 189. 93	1, 168. 14
1861-62.....		1, 946. 60	1, 946. 60	1, 630. 78
1862-63.....		2, 877. 32	2, 877. 32	1, 791. 58
1863-64.....		2, 141. 22	2, 141. 22	1, 791. 89
1864-65.....				1, 963. 53
1865-66.....		5, 775. 60	5, 775. 60	10, 655. 89
1866-67.....		4, 331. 19	4, 331. 19	12, 328. 43
1867-68.....	\$6, 753. 69	3, 437. 63	10, 191. 32	13, 790. 67
1868-69.....	35, 657. 50	601. 42	36, 258. 92	25, 486. 95
1869-70.....	5, 033. 95	4, 743. 21	9, 777. 16	28, 524. 87
1870-71.....	7, 157. 79	4, 014. 86	11, 172. 65	31, 210. 69
1871-72.....	12, 917. 21	12, 394. 06	25, 311. 27	34, 164. 51
1872-73.....	7, 627. 39	4, 118. 80	11, 746. 19	35, 958. 24
1873-74.....	1, 422. 76	13, 173. 35	14, 596. 11	41, 672. 69
1874-75.....	841. 90	7, 202. 42	8, 044. 32	40, 152. 07
1875-76.....	64. 89	14, 721. 16	14, 786. 05	39, 191. 53
1876-77.....	5, 640. 90	8, 597. 48	14, 238. 38	51, 387. 14
1877-78.....	3, 679. 07	5, 718. 14	9, 397. 21	57, 374. 37
1878-79.....	17, 458. 06	3, 284. 89	20, 742. 95	67, 418. 08
1879-80.....	3, 154. 26	13, 293. 65	16, 447. 91	62, 134. 86
1880-81.....	92, 776. 52	9, 752. 99	102, 529. 51	82, 700. 49
1881-82.....	37, 945. 54	14, 250. 73	52, 196. 27	95, 512. 69
1882-83.....	6, 536. 18	7, 786. 40	14, 322. 58	94, 595. 31
1883-84.....	17, 270. 22	13, 633. 82	30, 904. 04	94, 791. 05
1884-85.....	31, 223. 04	14, 069. 25	45, 292. 29	99, 597. 57
1885-86.....	39, 682. 33	21, 597. 57	61, 279. 90	93, 157. 06
1886-87.....	18, 967. 00	17, 173. 47	36, 140. 47	96, 230. 17
1887-88.....	83, 845. 01	6, 502. 82	90, 347. 83	105, 997. 32
1888-89.....	72, 563. 81	9, 903. 33	82, 467. 14	110, 579. 21
1889-90.....	31, 623. 26	7, 562. 54	42, 185. 80	112, 997. 74
1890-91.....	30, 691. 45	18, 918. 52	49, 609. 97	113, 805. 76
1891-92.....	85, 475. 85	16, 492. 63	101, 968. 48	107, 911. 70
1892-93.....	49, 542. 49	26, 777. 92	76, 320. 41	113, 152. 94
1893-94.....	29, 106. 66	9, 871. 70	38, 978. 36	121, 512. 90
1894-95.....	17, 410. 82	17, 969. 55	35, 380. 37	122, 944. 66
1895-96.....	23, 002. 20	9, 100. 36	32, 102. 56	124, 986. 16
1896-97.....	26, 900. 27	17, 425. 11	44, 325. 38	125, 154. 03
1897-98.....	17, 165. 26	6, 279. 25	23, 444. 51	127, 232. 55
1898-99.....	18, 427. 18	7, 105. 09	25, 532. 27	116, 318. 31
1899-1900.....	12, 143. 40	13, 528. 87	25, 672. 27	109, 374. 61
1900-1901.....	25, 057. 49	24, 741. 29	49, 798. 78	104, 022. 59
1901-2.....	31, 298. 04	9, 158. 75	43, 456. 79	101, 201. 95
1902-3.....	48, 684. 28	19, 052. 35	67, 736. 63	115, 279. 94
1903-4.....	98, 427. 64	11, 241. 62	109, 669. 26	111, 570. 94
1904-5.....	89, 599. 99	16, 789. 43	106, 389. 42	115, 629. 43
1905-6.....	30, 380. 69	14, 830. 66	45, 211. 35	115, 672. 67
1906-7.....	37, 919. 81	40, 769. 10	78, 688. 91	126, 471. 96
Total.....	1, 217, 075. 80	516, 848. 05	1, 733, 923. 85	3, 519, 106. 43

THE PUBLIC SERVICE SUPERANNUATION ACT, 1907.

The Civil Service Insurance Act proving thus inadequate from the first as a superannuation measure, different classes of public servants made successful efforts from time to time to secure more satisfactory legislation. In 1899—only six years after the passage of the insurance act—the members of the police force secured the passage of a provident fund act which made provision for retirement on more satisfactory basis than that offered them under the terms of the insurance act. In 1902 the employees of the government railways and in 1905 the teachers did likewise. In 1906 a “Civil-Service Superannuation Bill” was prepared and referred to the public accounts committee. The provisions of this measure are said to have been drawn up under the direction of Sir Joseph Ward, the premier, who took the liveliest interest in the bill. On October 24, 1906, the committee recommended, in a report to the House of Representatives, “that the civil service superannuation bill, as submitted, or any other suggested scheme that will meet the position, be referred to the actuary for examination and investigation and that he be requested to furnish a full report on such scheme in time to enable it to be dealt with next session.” Mr. Fox, the actuary, accordingly took up the work and submitted, on July 3, a very full report on the bill, together with data and statistics relating to the civil service. As an outcome of his investigation he recommended the adoption of the bill on condition of certain modifications. The majority of the amendments recommended by Mr. Fox were accepted, and “Public Superannuation Bill, 1907,” was drafted. The actuary made a favorable report on this bill, and on November 25, 1907, it became a law. It was consolidated the following year with the Public Service Classification Act of 1907, and the whole is now known as “The Public Service Classification and Superannuation Act, 1908.”

SUPERANNUATION BILL FIRST PROPOSED, 1906.

The special features of the present law can best be brought out by a review of the investigations and reports which led to its enactment.

The benefits provided in the first bill proposed, the Civil Service Superannuation Bill, 1906, were as follows:^(a)

I. On attainment of pension: Males, at age 60, or after 40 years' service; females, at age 50, or after 30 years' service:

(a) A pension of one-sixtieth of yearly salary for each year's service, with a limit of forty-sixtieths (two-thirds) of salary.

(b) Or the option, in lieu thereof, of a return of total contributions.

II. On retirement before pension age (on the ground of being medically unfit for further duty):

(a) At any time, a pension of one-sixtieth of yearly salary for each year's service, limited to forty-sixtieths.

^a Report on Public Service Superannuation Bill, 1906. Appendix 1, p. 17.

(b) Or the option, in lieu thereof, of a return of total contributions.

III. On retirement before pension age (on other grounds than medical unfitness):

(a) On ordinary dismissal or retirement, a return of total contributions.

(b) On dismissal for the commission of a crime, a return of the balance of total contributions after any defalcations have been made good.

IV. At death:

(a) At death before pension entered upon, leaving no widow (widower) or children, a return of total contributions.

(b) At death before pension entered upon, leaving a widow (widower) or children, £18 (\$88) yearly during widowhood (widowerhood), and 5s. (\$1.22) weekly for each child till fourteen years of age; with the option of a return of such portion of the total contributions as the board thinks fit.

(c) At death after pension entered upon, a return of the difference between pension received and contributions paid to the fund.

V. Benefits already accrued:

(a) In addition to benefits I to IV, the bill provides that (1) moneys already deducted from salaries, under "The Civil Service Reform Act, 1886," or "The Post and Telegraph Classification and Regulation Act, 1890," shall be invested with the Public Trustee and become the property of the contributors on retirement; (2) life-assurance policies and annuities effected under "The Civil Service Insurance Act, 1893," may be kept alive or the surrender value invested with the public trustee for the benefit of the holders.

(b) The absolute or contingent rights to compensation for loss of office when the act comes into operation (if any) are also preserved until a corresponding amount of pension has been drawn.

NOTE.—The pensions are payable monthly, and are computed on the salary at retirement, unless there has been promotion within five years, when the average salary for the last seven years is taken as the basis.

To pay for these benefits the bill provided for the establishment of a superannuation fund made up of contributions from the employees, the Government guaranteeing the future adequacy of the fund.

COLLECTION OF STATISTICS OF CIVIL SERVICE MADE BY ACTUARY.

The first step taken by Mr. Fox in examining into the soundness of the proposed scheme was the collection of statistics regarding the personnel of the public service. Receiving instructions to include in his estimates all departments except railways and police and such officers of the education department as were included in the teachers' scheme, he addressed a circular to all other departments of the colonial government asking for information concerning the number, age, sex, salary, and class of employment of all persons in each department to whom the provisions of the bill would apply. This was done in order that he might make a valuation of the accrued liabilities, which would have to be assumed by the superannuation fund on the inauguration of the proposed plan. The unfortunate

experience of the neighboring colony of New South Wales served as a warning in this respect, and the actuary of New Zealand felt the necessity of pointing out the importance of differentiating carefully between liabilities that have to be assumed to cover past services—that is, provision for old employees—and those that may be incurred to cover future services; that is, provision for entrants into the service.

The information desired was furnished respecting 5,593 persons among the various departments, as follows:

TABLE SHOWING 5,593 PERSONS TO WHOM IT WAS THOUGHT THE PROVISIONS OF THE BILL WOULD APPLY, DISTRIBUTED AMONGST THE VARIOUS DEPARTMENTS.

[From Report on Public Service Superannuation Bill, 1906, p. 10.]

Department.	Males.	Females.	Total number.	Total salaries.
Post and telegraph.....	2,275	297	2,572	\$1,622,588
Lands and survey.....	324	19	343	371,995
Justice.....	190	1	191	228,419
Agriculture.....	182	.....	182	203,210
Mental hospitals.....	268	165	433	192,884
Customs.....	188	4	192	173,758
Public works.....	170	5	175	169,807
Printing and stationery.....	173	40	213	151,733
Government life insurance.....	123	12	135	121,390
Prisons.....	120	13	133	97,403
Roads.....	96	2	98	96,259
Marine.....	107	1	108	79,952
Valuation.....	77	4	81	76,209
Defense.....	73	1	74	72,287
Colonial secretary.....	60	4	64	59,512
Public trust.....	65	13	78	57,176
Land transfer and deeds registry.....	50	1	51	57,142
Tourist and health resorts.....	43	5	48	48,772
Native.....	32	.....	32	47,838
Mines.....	39	.....	39	46,811
Labor.....	43	4	47	45,326
Audit.....	40	2	42	44,991
Land and income tax.....	42	2	44	44,378
House of Representatives.....	30	6	36	41,604
Treasury.....	37	7	44	39,784
Public health.....	22	.....	22	31,910
Inspection of machinery.....	24	1	25	30,085
Education (excluding those coming under "The teachers' superannuation act, 1905").....	25	13	38	26,698
Stamps.....	22	4	26	23,116
Crown law.....	7	.....	7	18,298
State fire insurance.....	25	2	27	17,300
Registrar-general.....	16	.....	16	16,926
Advances to settlers.....	19	.....	19	15,159
Old-age pensions.....	18	.....	18	14,994
Legislative council.....	5	.....	5	8,322
Hospitals.....	2	1	3	7,105
Electoral.....	5	.....	5	5,801
Friendly societies.....	4	1	5	5,791
Land for settlements.....	2	.....	2	4,915
Industries and commerce.....	2	.....	2	4,258
Colonial museum.....	3	.....	3	4,020
Native land purchase.....	1	.....	1	2,555
Deduct 86 civil servants entitled to pensions under civil service acts and not eligible under the present bill.....	5,049	630	5,679	4,428,481
	86	.....	86	164,819
Total.....	4,963	630	5,593	4,263,662

Assuming that the 5,593 persons referred to would all have been eligible as members of the fund if it had come into operation at the time the statistics were collected, it was necessary to value the liabilities resulting from the application of the proposed contribution rates

and retiring benefits to those 5,593 persons. With great care Mr. Fox explained the assumptions made and the statistical foundations of the calculations on which this valuation rested. Here again he seems to have been mindful of the experience of the actuaries of New South Wales whose explanations and warnings in connection with the superannuation account of that colony were so disregarded, for he wrote: "I feel this to be all the more necessary because, unfortunately, I am aware that the use of recognized actuarial methods, though admitted in smaller matters, is viewed with disapprobation and absolute suspicion by many people when applied to the investigation of certain complicated statistical and financial matters, although these matters peculiarly depend for their ultimate success on a proper treatment of problems involving a reasonable estimate of many probabilities—of life and death, widowhood, orphanhood, bachelorhood, increases in salary, and retirement from service—all these being spread over a long series of years and combined with the interest-earning power of money. While it is impossible in individual cases to make an accurate estimate of such matters, it is found that in a large body of persons the numbers living, dying, or doing acts within their own control, such as resigning or marrying, are singularly constant from year to year."

The rate of interest assumed by Mr. Fox in his calculations was 4 per cent, and he stated it as his opinion that the Government should guarantee that rate of interest on the fund, as is done by many of the British railway companies in their pension schemes. He thought that the fund would probably be able to earn more than 4 per cent for some years, but held that without a guarantee it would not be justifiable to assume so high a rate as 4 per cent over a long period of time.

The mortality table used by Mr. Fox as a basis for calculating the longevity of the civil servants, and considered by him particularly appropriate to a New Zealand fund of this description, was Dr. Farr's table relating to certain healthy districts in England. For children's annuities he used the mortality experience of the children of a large body of Scottish Presbyterian ministers, which was investigated by Mr. Archibald Hewat in 1902. The probabilities of leaving children, with their ages, were taken from the New Zealand population returns from 1895 to 1899. The probabilities of leaving a widow or dying unmarried were derived from English census statistics utilized by Mr. George King in his investigation relating to family annuities. The ages of widows at death of husbands were taken from the scale adopted by Mr. H. W. Manly in his "Hypothetical Experience (1903)."

The average retirement age was assumed to be 61 for men, 51 for women. The optional age provided in the bill was 60 for men, but Mr. Fox assumed that many would not retire until after that age,

thus making the average age later than 60. At the same time, since they would be allowed to retire as a matter of right before reaching the age of 60 when they had served 40 years, or, with the consent of the board, after 35 years, it would follow that all who joined the service before reaching the age of 20 would be able to retire on a pension between the ages of 55 and 60, and some of them between the ages of 50 and 55. The bill made 50 the optional age of retirement for women, or earlier if they had had 30 years' service. Considering all these circumstances the assumption that men would retire at the average age of 61, women at the average age of 51, seemed to Mr. Fox to be reasonable.

Having no data to work on, the actuary found himself unable to estimate the probable strain on the fund due to premature retirements on pension through physical disability. For the same reason he was unable to compute the relief that would probably ensue from those voluntarily retiring and leaving the interest on their accumulations in the fund. He assumed, however, that these two uncertainties would counteract each other, and though he said he could not speak confidently on that matter, he gave it as his opinion that the balance on either side would be immaterial. The uncertainty on these points convinced him, however, of the necessity for periodical investigations of the progress of the fund.

The final assumption made by Mr. Fox was in regard to the rate of salary increases from age to age. It is plain that the contributions and benefits (except those payable to widows and children) and the valuation of them depend on the amount of salary received, taking into account prospective increases in salary. The average salary received at each age at the present time was deduced by Mr. Fox from the data furnished him by the departments, and these average salaries were then graduated to remove irregularities. The present salary of each person was then assumed to increase from age to age in the same ratio as that of the graduated scale. The average and graduated salaries for men and women were shown to be as follows:

AVERAGE SALARY RECEIVED AT EACH AGE AT THE PRESENT TIME, AND THESE
AVERAGE SALARIES GRADUATED TO REMOVE IRREGULARITIES.

[From Report on Public Service Superannuation Bill, 1906, p. 12.]

Age.	Aver- age salary.	Gradu- ated salary.	Age.	Aver- age salary.	Gradu- ated salary.	Age.	Aver- age salary.	Gradu- ated salary.
MALES.			MALES—con- cluded.			FEMALES—con- cluded.		
15.....	\$157	\$170	43.....	\$1,152	\$1,134	23.....	\$303	\$292
16.....	240	204	44.....	1,134	1,158	24.....	344	310
17.....	242	243	45.....	1,192	1,180	25.....	327	327
18.....	266	285	46.....	1,263	1,200	26.....	348	341
19.....	300	328	47.....	1,141	1,212	27.....	334	355
20.....	379	375	48.....	1,225	1,221	28.....	321	369
21.....	432	423	49.....	1,458	1,229	29.....	436	381
22.....	485	467	50.....	1,134	1,231	30.....	393	393
23.....	530	516	51.....	1,216	1,231	31.....	375	404
24.....	564	565	52.....	1,133	1,231	32.....	293	414
25.....	603	611	53.....	1,207	1,231	33.....	518	423
26.....	660	659	54.....	1,307	1,231	34.....	382	432
27.....	670	696	55.....	1,276	1,231	35.....	401	439
28.....	726	728	56.....	1,396	1,231	36.....	398	448
29.....	799	759	57.....	1,185	1,231	37.....	474	454
30.....	791	784	58.....	1,105	1,231	38.....	456	459
31.....	821	804	59.....	1,244	1,231	39.....	481	465
32.....	794	830	60.....	1,129	1,231	40.....	452	473
33.....	844	854	FEMALES.			41.....		481
34.....	862	876	15.....			42.....	349	491
35.....	856	900	16.....	195	195	43.....	427	497
36.....	970	922	17.....	195	199	44.....	811	502
37.....	912	947	18.....	207	209	45.....	575	506
38.....	952	976	19.....	219	224	46.....	681	506
39.....	1,025	1,005	20.....	222	239	47.....	414	506
40.....	1,063	1,034	21.....	273	258	48.....	341	506
41.....	1,028	1,068	22.....	298	276	49.....	473	506
42.....	1,136	1,097				50.....	487	506

COST OF PROPOSED BILL BASED ON STATISTICS COLLECTED.

The result of Mr. Fox's valuation of the scheme proposed in the bill, under the conditions assumed, showed that the capital value of the full actuarial liability involved was £1,816,719 (\$8,841,063), of which £1,709,582 (\$8,319,681) was incurred for men, and £107,137 (\$521,382) for women. Mr. Fox also computed the value of the liability involved under various suggested modifications of the scheme, such as with the addition of annuities to widows and children of pensioners, with modified contributions, with half pensions only for back service, and with the widows' annuities increased from £18 (\$88) to £26 (\$127) under all of the above conditions. He found that the capital value of the full liability involved ranged from £2,041,898 (\$9,936,897) to £1,338,120 (\$6,511,961), according to the nature of the scheme, as will be seen from the following table:

SUMMARY OF VALUATIONS OF THE FUND OUTLINED IN THE BILL AND OF MODIFICATIONS THEREOF.

[From Report on Public Service Superannuation Bill, 1906. Appendix 5, p. 23.]

Scheme.	Sex.	Present value of—								
		Pensions.		Annuities.		Return of contributions at death (no widows and children).	Return of balance of contributions over pensions received.	Total liability.	Future contributions.	Net liability.
		For future service.	For back service.	To widows.	To children.					
		Dollars.	Dollars.	Dollars.	Dolls.	Dolls.	Dolls.	Dollars.	Dollars.	Dollars.
I. With addition of annuities to widows and children. ^a	M.	5,647,622	4,980,011	1,297,978	419,376	55,405	62,783	12,463,175	3,624,540	8,838,635
	F.	503,736	181,185	.....	.....	18,191	1,946	705,058	183,676	521,382
		6,151,358	5,161,196	1,297,978	419,376	73,596	64,729	13,168,233	3,808,216	9,360,017
II. Contributions 5, 6, 7, and 10 per cent. ^a	M.	5,647,622	4,980,011	810,472	387,928	55,405	62,783	11,944,221	3,624,540	8,319,681
	F.	503,736	181,185	.....	.....	18,191	1,946	705,058	183,676	521,382
		6,151,358	5,161,196	810,472	387,928	73,596	64,729	12,649,279	3,808,216	8,841,063
III. Contributions 5, 6, 7, 8, 9, and 10 per cent. ^a	M.	5,647,622	4,980,011	810,472	387,928	61,099	62,783	11,949,915	4,099,233	7,850,682
	F.	503,736	181,185	.....	.....	18,916	1,946	705,783	193,677	512,106
		6,151,358	5,161,196	810,472	387,928	80,015	64,729	12,655,698	4,292,910	8,362,788
IV. With one-half back service only. ^a	M.	5,647,622	2,741,499	810,472	387,928	55,405	62,783	9,705,709	3,624,540	6,081,169
	F.	503,736	90,595	.....	.....	18,191	1,946	614,468	183,676	430,792
		6,151,358	2,832,094	810,472	387,928	73,596	64,729	10,320,177	3,808,216	6,511,961
V. As in I ^b	M.	5,647,622	4,980,011	1,874,858	419,376	55,405	62,783	13,040,055	3,624,540	9,415,515
	F.	503,736	181,185	.....	.....	18,191	1,946	705,058	183,676	521,382
		6,151,358	5,161,196	1,874,858	419,376	73,596	64,729	13,745,113	3,808,216	9,936,897
VI. As in II ^b	M.	5,647,622	4,980,011	1,170,680	387,928	55,405	62,783	12,304,429	3,624,540	8,679,889
	F.	503,736	181,185	.....	.....	18,191	1,946	705,058	183,676	521,382
		6,151,358	5,161,196	1,170,680	387,928	73,596	64,729	13,009,487	3,808,216	9,201,271
VII. As in III ^b	M.	5,647,622	4,980,011	1,170,680	387,928	61,099	62,783	12,310,123	4,099,233	8,210,890
	F.	503,736	181,185	.....	.....	18,916	1,946	705,783	193,677	512,106
		6,151,358	5,161,196	1,170,680	387,928	80,015	64,729	13,015,906	4,292,910	8,722,996
VIII. As in IV ^b	M.	5,647,622	2,741,499	1,170,680	387,928	55,405	62,783	10,065,917	3,624,540	6,441,377
	F.	503,736	90,595	.....	.....	18,191	1,946	614,468	183,676	430,792
		6,151,358	2,832,094	1,170,680	387,928	73,596	64,729	10,680,385	3,808,216	6,872,169

^a Widows' annuities, £10 (\$49). ^b Widows' annuities, £26 (\$127).

It will be noted that these sums ranging from £2,041,898 (\$9,936,-897) to £1,338,120 (\$6,511,961) include the accrued liability for back services and the prospective liability for future services.

CONSIDERATION OF HOW COST MIGHT BE MET.

The question to be decided was: How shall these liabilities be met? There seems to have been no thought in the mind of Mr. Fox but that the whole of the liability for back services should be borne by the Government, a point which does not seem to have been questioned by the Government. He stated it to be clearly a matter of opinion, how-

ever, as to how much (if any) of the deferred liability should be met by present contributions from the Government and the deferred pensioners, and how much should be left to be met by the Government of 45 years hence; on the one hand, how much it is considered practicable or desirable to take in yearly contributions from the prospective pensioners to meet a portion of the liability when it accrues, and, on the other hand, what proportion (if any) of the balance of future liability should be met by the present, and what proportion should be left to the future Government. There was no suggestion on Mr. Fox's part of the other alternative that the entire liability for future services might be borne by the pensioners themselves, a suggestion that would indeed have been impracticable in view of the generous benefits provided under the scheme.

In the opinion of Mr. Fox, then, there were only two ways of placing a government scheme of deferred pensions to its employees on a sound footing. The one course was to exact no contribution from the prospective pensioners and to leave the whole of the future liability to be met by future generations as it accrued. This would be simply a straight pension such as that maintained by the British Government for its civil servants. Stating, however, that a contributory plan is generally considered more desirable than a pure pension, Mr. Fox insisted on the importance in such a plan of reserving and accumulating the contributions to meet the contributors' portion of liability and not using them, in earlier years, to pay other claims which have not been provided for by contributions, namely, pensions to persons already in the service at the time of the establishment of the plan. He maintained that such claims should certainly be met from other sources as they fall in, and not discharged by using accumulations formed for the purpose of meeting altogether different liabilities. If this were done he held that the fund, assuming that it were otherwise conducted properly, would be found, at successive investigations, to be sufficient to meet that portion of the liability which it was intended to meet, and it would therefore be sound from any point of view.

As for the liability on account of back services, which should be borne by the Government, Mr. Fox showed by the use of the following table of prospective pensions to men arising from the scheme contained in the bill how that should be kept entirely separate from the liability for future services to be met in part by contributions from the younger members.

PROPER TREATMENT OF LIABILITIES ARISING FROM PROSPECTIVE PENSIONS OF MALES.

[From Report on Public Service Superannuation Bill, 1906, p. 13.]

Age.	Num-ber.	Back service.	Future service.	Total.	Age.	Num-ber.	Back service.	Future service.	Total.
81.....	1	\$224	.....	\$224	49.....	93	\$44,650	\$27,179	\$71,829
80.....	1	273	.....	273	48.....	85	35,039	22,751	57,790
79.....	1	2,273	.....	2,273	47.....	78	30,630	21,106	51,736
78.....	2	161	.....	161	46.....	84	32,601	27,233	59,834
77.....	2	399	.....	399	45.....	92	33,501	30,523	64,024
76.....	4	1,226	.....	1,226	44.....	85	26,406	29,024	55,430
75.....	4	4,171	.....	4,171	43.....	85	27,097	31,895	58,992
74.....	3	949	.....	949	42.....	92	27,554	37,117	64,671
73.....	7	4,618	.....	4,618	41.....	88	23,291	34,742	58,033
72.....	4	1,572	.....	1,572	40.....	92	26,766	40,757	67,523
71.....	7	2,618	.....	2,618	39.....	109	29,958	50,174	80,132
70.....	9	2,073	.....	2,073	38.....	101	27,131	46,514	73,645
69.....	10	3,499	.....	3,499	37.....	97	22,439	46,047	68,486
68.....	26	13,183	.....	13,183	36.....	107	26,011	57,760	83,771
67.....	21	9,387	.....	9,387	35.....	105	22,756	53,259	76,015
66.....	26	15,787	.....	15,787	34.....	102	20,191	55,634	75,825
65.....	32	19,354	.....	19,354	33.....	106	18,877	60,179	79,056
64.....	39	15,558	.....	15,558	32.....	107	17,544	60,938	78,482
63.....	29	14,171	.....	14,171	31.....	139	24,683	87,242	111,925
62.....	33	13,777	.....	13,777	30.....	152	24,143	97,676	127,819
61.....	31	13,792	.....	13,792	29.....	143	20,751	98,761	119,512
	292	139,065	.....	139,065	28.....	107	12,711	72,248	84,959
60.....	31	12,570	\$584	13,154	27.....	119	11,865	79,903	91,768
59.....	50	23,023	2,073	25,096	26.....	136	12,536	97,778	110,314
58.....	44	16,565	2,433	18,998	25.....	129	9,446	94,084	103,530
57.....	33	14,200	2,609	16,809	24.....	132	7,674	100,002	107,676
56.....	40	19,748	4,652	24,400	23.....	117	4,706	93,792	98,498
55.....	37	19,777	4,725	24,502	22.....	171	3,577	141,985	145,562
54.....	47	21,223	7,168	28,391	21.....	217	.....	181,720	181,720
53.....	58	24,586	9,334	33,920	20.....	225	.....	186,552	186,552
52.....	62	26,036	10,541	36,577	19.....	247	.....	185,156	185,156
51.....	73	32,382	14,789	47,171	18.....	156	.....	119,473	119,473
50.....	75	27,491	15,587	43,078	17.....	140	.....	114,538	114,538
					16.....	74	.....	71,508	71,508
					15.....	9	.....	6,823	6,823

It will be seen that if the 292 men over 60 years of age all retired on pension immediately the sum of £28,576 (\$139,065) would be payable during the first year on their account. “If it be deliberately resolved to offer these pensions,” said Mr. Fox, “it should also be recognized that they constitute a present liability, and they should be met out of the present resources of the State.” He then showed how, in each succeeding year, it would also be necessary to similarly provide the pensions which would become due on account of back service to the survivors of the present members shown in the table as living at each age under 60 down to age 22 when the liability for back service would vanish. The outgo for pensions on back service would, of course, diminish as the pensioners died off.

Mr. Fox showed also, from the above table, how members of the service who had served some time before the adoption of the proposed scheme would ultimately retire on pensions provided partly by the Government and partly by their own contributions. The seventy-five men shown as now aged 50 would, if they survived and remained ten years, be entitled to £3,203 (\$15,587) a year for their future ten years’ service, in addition to the £5,649 (\$27,491) for back service. These men would be contributing 10 per cent of their salaries during the next ten years, whereas the full rate necessary would be approxi-

mately 15 per cent. Thus, two-thirds of their future-service pensions would have been purchased by their own contributions, if those contributions had been safeguarded as advocated above, leaving the remaining one-third of the survivors' pensions to be defrayed by the Government, in the same way as the whole of the back-service pensions.

The full rates of contribution necessary at various ages having been ascertained, it would be for the Government to say what proportion of these rates should be required from the contributors to the fund. The sum so contributed should be used only for the purpose of meeting the portions of the current and future liabilities for which they were intended. That part of the contributions intended to meet a portion of the future liability should be accumulated at interest and not used for any other purpose. The remainder of the current and future liabilities not so provided for by the contributions should be discharged year by year, as they accrue, by the Government of the day, and no portion whatever of the contributed fund should be used for that purpose. An actuarial investigation of the fund should be made triennially (or quinquennially) in order to test the sufficiency of the contributed fund and to ascertain the probable extent of the present accruing liability which will have to be met by the Government during the succeeding three (or five) years.

The full contributions required at different ages to furnish the benefits given in the bill were computed to be as follows: (^a)

At age 18.....	8.6 per cent of salary.
At age 23.....	9.3 per cent of salary.
At age 28.....	9.8 per cent of salary.
At age 33.....	10.4 per cent of salary.
At age 38.....	11.1 per cent of salary.
At age 43.....	12.1 per cent of salary.
At age 48.....	13.6 per cent of salary.
At age 53.....	15.6 per cent of salary.
At age 58.....	17.9 per cent of salary.

The contributions in the bill were—

At age 40 and under.....	5.0 per cent of salary.
At age 41.....	6.0 per cent of salary.
At age 46.....	7.0 per cent of salary.
At age 51 and over.....	10.0 per cent of salary.

The difference between the amounts contributed under the bill and the amounts required to furnish the proposed benefits would have to be contributed by the Government.

The rates of contribution determined on show that New Zealand profited in that respect from the disastrous experience of New South Wales, where the flat-rate contribution of 4 per cent of salary had been

^a Report on Public Service Superannuation Bill, 1906, p. 14.

found inadequate for the payment of benefits. All of the actuaries who examined into the state and sufficiency of the New South Wales fund had commented on the inadequacy of the contributions and one of them had pointed out, with great emphasis, the fact that the rate of contribution must depend necessarily on the age of entrance into the service, a fundamental principle carefully observed in New Zealand's bill.

RECOMMENDATION OF ACTUARY OF HOW COST SHOULD BE MET.

Mr. Fox showed that there are several ways in which the liability incurred in starting the proposed scheme might be met. The capital sum of £1,816,719 (\$8,841,063) might be paid in immediately, but this course would not be practicable. A yearly payment of £72,669 (\$353,643), which is the interest on the capital sum at 4 per cent, might be made, but this course would require much larger initial payments than are necessary. What Mr. Fox proposed therefore was this: The liability for back services to be met by the Government year by year, as it accrues; liability for future services to be met by demanding from the members such proportion as might be thought proper of the full contributions necessary to provide the benefits, and by accumulating these to pay a corresponding proportion of the future liabilities as they fall due, and the Government of the day to pay, year by year, as they accrue, the remaining future liabilities not provided for by members' contributions. In order to give effect to this arrangement he repeated that it would be necessary to have a periodical investigation of the fund to ascertain the amounts which will be required from time to time to meet the balance of current outgo without trenching on the fund contributed by the civil employees. Taking everything into consideration, Mr. Fox stated that, in his opinion, a yearly subsidy of £30,000 (\$145,995) would be sufficient for the first three years, but that ultimately £50,000 or £60,000 (\$243,325 or \$291,990) would probably be required. It was his desire to ascertain in what way the fund could be most conveniently made actuarially sound with a minimum strain on the public purse by way of financial assistance. He considered that that would be done most effectively by making the subsidy as small as possible at first, and subject to a comparatively small and practically regular increase so long as it should be necessary. At each successive triennial investigation the amount required, during the following period, to meet the balance of current outgo could be determined with greater accuracy. Mr. Fox said:

In advising as to the probable outgo of the first three years of the scheme I am in a very different position from that I shall occupy at

the first triennial investigation in regard to the second three years, because there is at present no experience whatever of members respecting retirements and withdrawals. The bulk of the outgo will result from the payment of pensions to those entitled to retire immediately. If they all went on the fund at the outset the claims on their account would amount to approximately £27,800 (\$135,289) in the first year, £26,600 (\$129,449) in the second, and £25,300 (\$123,122) in the third year—this outgo decreasing yearly. On the other hand, the pensions which will become due to those now aged 57, 58, and 59 (or 47, 48, and 49 in the case of women), who may become pensioners during the triennium, though small at first, will be of an increasing nature, and the contributions of these members will not have had time to accumulate to an appreciable amount. Taking everything into consideration, I think that a yearly subsidy of £30,000 (\$145,995) will be sufficient for the first three years. As I have said, however, I am quite unable to estimate the relief to the fund which will be experienced through members abstaining from retiring immediately they have the right to do so, nor am I able to estimate the strain upon the fund which will result from members under the pension-ages being retired on pension owing to ill health. This disadvantage will apply with less force at each successive triennial investigation in consequence of the accumulation of statistics of the actual experience of members in these respects. But, as I have said, I think a yearly grant of £30,000 (\$145,995) will supply all that will be required during the first three years.^(a)

AMENDMENTS TO THE PROPOSED BILL RECOMMENDED BY ACTUARY.

As the outcome of his investigation Mr. Fox recommended therefore that the bill be adopted with the following amendments:

(1) That the interest credited to “the contributed fund” shall not be at a lower rate than 4 per cent.

(2) That the widows’ annuities shall be increased from £18 (\$88) to £26 (\$127).

(3) That the annuities shall be payable to the widows and children of pensioners as well as to the widows and children of members who die while in the service.

(4) That a yearly grant of £30,000 (\$145,995) shall be made during the first three years.

(5) That this yearly grant shall be increased (or decreased) from time to time in the manner explained heretofore, in order to meet the yearly accruing liability unprovided for by members’ contributions.

(6) That, in order to ascertain the necessary periodical grants a triennial actuarial investigation of the fund shall be made, the triennial report to state what will be the probable sum required for the ensuing three years.

(7) There will be no necessity to retain the present provision for the guarantee of any deficiency in the fund.^(b)

^a Report on Public Service Superannuation Bill, 1906, p. 15.

^b *Idem*, p. 16.

ADVANTAGES OF A SUPERANNUATION SYSTEM.

In closing his report Mr. Fox submitted his reasons for recommending superannuation measures generally and this scheme in particular. Said he:

The advantages arising from well-considered superannuation schemes are so evident that many large employers of clerical and other labor have recognized their importance by adopting schemes of the kind in practice, and the tendency of the present day appears to be in the direction of extending the system. It has been pointed out by others that a sentimental consideration for the employee is not the sole motive for expenditure of this kind by corporations and bodies of men engaged in the profitable investment of capital. They are certainly guided by business principles and realize that well-considered expenditure in this direction is justified by the ultimate results. All employees are compelled to partially provide for their future, thus relieving their employer of the assistance he would be practically forced to extend in necessitous cases. But perhaps the chief advantages to the employer are that the employees as a body are more firmly attached to his service and he is enabled to exercise a freer hand in retiring aged employees at high salaries and promoting younger men at lower salaries. All interests are best served in the end by placing on the pension list old servants who are past their work and replacing them by younger ones who are in their prime.

I respectfully submit that the following are sound reasons why the scheme I am advocating should be accepted in its entirety:

(1) On the one hand, *it will give full effect to the wishes of the civil service.*

(2) On the other hand, *it will impose the minimum of liability upon the Government to begin with, which liability will not be erratically subject to sudden large increases in the future.* The increase in the cost of superannuation itself will be very gradual, being for many years probably between £1,000 and £2,000 (\$4,867 and \$9,733) per annum, and when the present outlay for compensation, gratuities, and pensions is taken into account I believe the yearly increase in the total Government assistance to civil servants will be still further reduced. Such a gradual increase will cause no undue strain to fall on the future increasing resources of the country.

(3) *The fund will be always sound* if otherwise properly conducted. When the unsatisfactory condition of some large government funds of this kind in other parts of the world is considered, it will be recognized that this is a matter of the first importance; and I say, without any reservation, that the fund may be subjected at any time to the most exacting actuarial investigation, and, if no departure has been made from the principles I have laid down, it will always pass the test satisfactorily, thereby adding one more to the many large concerns of which the Dominion of New Zealand has cause to be proud.^(a)

SUPERANNUATION BILL OF 1907 PROPOSED.

Following this actuarial investigation, the bill was redrafted as the "Public Service Superannuation Bill, 1907." On November

^a Report on Public Service Superannuation Bill, 1906, p. 17.

12, 1907, Mr. Fox submitted a brief report on this second bill, which he found very much stronger from an actuarial viewpoint than the one of the previous year. The chief improvements were ones recommended by Mr. Fox in his previous report, namely, a provision for a yearly subsidy of £20,000 (\$97,330) (though he had asked for £30,000) (\$145,995); a provision for a triennial investigation and suitable form of actuarial report thereon; and a provision making widows' and orphans' annuities payable in the case of contributors dying after (as well as before) becoming superannuated, the balance of compensation not received by way of pension being included in the optional capital payment. Two other important changes were made in the bill. The scale of contributions between ages 30 and 50 was increased from 5, 5, 6, and 7 per cent to 6, 7, 8, and 9 per cent. The pensions were based on the average salary of the last three years instead of on the final salary.

In one respect this second bill, as first drafted, was a disappointment to the actuary, and he accordingly made a protest in his report, which proved effectual, for the undesirable clause in the bill was changed to correspond with his recommendation. He had strongly advocated, from the first, that the section guaranteeing any future deficiency in the fund be omitted altogether and a section inserted making provision for the annual appropriation of £30,000 (\$145,995), and such further sums as the triennial investigation showed were necessary. He stated that he did not insist on the sum of £30,000 (\$145,995) as absolutely necessary, that £20,000 (\$97,330) would do as well if provision were made for triennial adjustment of the amount, should it prove to be insufficient. "I inserted £30,000 (\$145,995)," he said, "because, after strict inquiry, I considered that sum would be sufficient, while I am not sure that a smaller sum would."

In conclusion, he emphasized the fact that the scheme would have two opposite effects. While it would require an initial annual subsidy of £20,000 to £30,000 (\$97,330 to \$145,995), subject to an annual increase for some years, it would also have the effect of diminishing expenditures in other directions. There had been paid out of the Consolidated Fund, the year before, over £8,000 (\$38,932) as gratuities, an outlay that, under the terms of the bill, would cease immediately. There was also paid out over £8,000 (\$38,932) as compensation, an expense that would cease to accrue when the act came into operation, and in twenty years or so would practically cease. Finally, there was also paid during the previous year over £26,000 (\$126,529) as pensions, and in about twenty years this outgo would also cease. There was thus £42,157 (\$205,157)^a paid from the Consolidated Fund the year before as assistance to civil servants by way of gratuities, compensation, and pensions, and as

^a See page 227.

this outgo would diminish, under the terms of the bill, until it practically ceased altogether in about twenty years, while the expenditure under the bill was increasing at the same time, Mr. Fox thought it evident that the practical consideration of importance was the total annual amount required from the consolidated fund for all these purposes taken together. He stated that he thought it highly probable that the annual decrease in the present outgo would practically balance the annual increase in the subsidy for the next twenty years.

ACTUARY MADE ONLY ESTIMATE OF COST, INSTEAD OF CALCULATION.

It is of interest in considering the probable cost to the New Zealand Government of establishing and maintaining the proposed superannuation fund to note that after the first year the amounts mentioned by the actuary are all estimates and not calculations. The sum of money required the first year to retire all those in the service who had reached the age of retirement was calculated to be £28,576 (\$139,065). It would have been perfectly possible, having all the necessary data as to the age, length of service, and amount of salary of all the 5,593 members of the civil service, to have carried out the calculation to the end of the period when all present members of the service would be dead, and thus have shown with precision the total maximum cost of the annuities for back services to all present members of the service. It is to be regretted that the calculations were not carried out to the end, so that the possible maximum cost might be known with definiteness. The actual cost would, of course, be less than such a maximum cost, since no allowance could have been made for resignations in the absence of data on the subject. The calculation of a possible maximum cost would, however, be much more satisfactory than the most conservative estimate, acknowledged to be merely an estimate. At the hearings of the Public Accounts Committee on November 13, 1907, Mr. Fox was examined on the matter of cost as follows:

What is the maximum amount which a scheme like this will involve the colony in?—I have explained on previous occasions when I have been here that I have an objection to saying that I can give correct estimates for a long distance ahead; but I can form some idea, and I will give you that idea. Whatever is the initial subsidy required, that will have to go on increasing for a large number of years. I have been looking lately at the composite effect of all the payments for pensions, gratuities, and compensation, totaling £42,000 (\$204,393) at present; and the £30,000 (\$145,995) added on to that for the first year would make £72,000 (\$350,388) to come out of the government purse. It will never, I consider, be more than that. In the course of twenty years' time the £42,000 (\$204,393) will have vanished altogether, roughly speaking. At that time the total yearly outgo will be very much less than the first year's £72,000 (\$350,388)—very much less; but the £30,000 (\$145,995) will have increased. It may have increased to £55,000 or £60,000 (\$267,658 or \$291,990). That will take the place of everything included in the

present £72,000 (\$350,388). After the first year £7,000 or £8,000 (\$34,066 or \$38,932) paid in gratuities will vanish altogether from the total, and so the £72,000 (\$350,388) will not all be wanted by that much. Taking the £42,000 (\$204,393) that is being paid at the present time per year, I consider that possibly not more than £10,000 (\$48,665) per annum over that sum will be wanted for the whole thing eventually. That is about £50,000 (\$243,325). I am speaking of fifty years' ahead or more. The amount will have increased to more than £50,000 (\$243,325) previous to that, but will be likely to come down to, say, £50,000 (\$243,325) as a permanency. That will take the place of everything—there will be no other outgo.

For how long will the amount to be paid under the bill keep on increasing?—For a good many years.

Can you give us any idea how long? What I want to get at is what the colony is being committed to?—I will still take the whole lot together—the £42,000 (\$204,393) that is being paid now and the £30,000 (\$145,995) proposed to be paid out, making £72,000 (\$350,388) altogether. I estimate that in about thirty-five years' time the total amount will be about the same as that. It will be all on account of the pension fund then—there will be no other outlay. It will certainly have come down in eighty years' time to its final level—say £50,000 (\$243,325).^(a)

It can not be stated whether this uncertainty as to the ultimate cost of the enterprise in which the Government was embarked by the passage of the superannuation act left any feeling of uneasiness in the minds of those who voted for it. At a meeting held to commemorate the passing of the act, Sir Joseph Ward, the Premier, is reported by the *New Zealand Times* of December 19, 1907, to have reminded the people of “this potent fact, that in addition to the £20,000 (\$97,330) a year which the country was now contributing, at any time, if that amount was found to be insufficient, the country was bound by act of Parliament to provide the increase, whatever that might be. They knew from the actuary that the amount in time must be increased to £50,000 or £60,000 (\$243,325 or \$291,990) a year. He believed that without a contented service the country did not get the full value in return. It was proper that the country should pay its servants well so as to secure attachment to the service, and thus retain its employees. He believed they would get that attachment as a result of this act.” Another speaker at this same meeting, Mr. G. Allport, chairman of the superannuation committee, denied that the civil servants were paying for much of what they got, and said that “they were not going to pay a sufficient amount, by a long way, to provide the pensions they would receive, and they ought to be grateful to the Government and the country for having agreed to contribute in the manner which was done, enabling a substantial pension to be paid to each member of the service upon his retirement.”

^a Report on Public Service Superannuation Bill. 1906. Minutes of evidence, p. 4.

The bill was passed November 25 and became a law with the following provision in reference to a subsidy:

“In the month of January in every year the minister of finance shall pay into the fund and out of the Consolidated Fund, without further appropriation than this act, the sum of twenty thousand pounds (\$97,330), together with such further amount (if any) as is deemed by the governor in council, in accordance with the aforesaid report of the actuary to be required to meet the charges on the fund during the ensuing year.”

MAIN FEATURES OF THE LAW ENACTED.

The main features of the law are then as follows: All permanent civil servants and all temporary clerks who had served the Government for more than five years continuously are included in the public service superannuation scheme, if not provided for by the police, railway, or teachers' funds. They were given the opportunity for six months of joining the fund. Anyone who did not elect to become a contributor within the prescribed six months is not allowed to do so at a future time, except on payment of a sum equal to the total contributions he would have paid had he elected to become a contributor in the beginning, plus five per cent compound interest. Anyone who joins the fund has the option of continuing the life insurance policy he had been required to take out under previous legislation, or of surrendering it. In case he elects not to join the superannuation fund, he is required to continue the policy. All new entrants to the public service are compelled to join the fund. The amount of their contributions is determined by their age on entering the service, ranging from 5 to 10 per cent of their salaries. Pensions are claimable by men at the age of 65 (60 was the age originally chosen, but the change to 65 was made in committee at the last moment) or after forty years of service, and by women at the age of 55 or after thirty years of service. There is no compulsory age of retirement. The amount of each pension is as many sixtieths of the average salary during the last three years before retirement as the pensioner has been years in the service, but it will, in no case, exceed two-thirds of this terminal salary. The contributor may elect on retirement to take the amount of his contributions, without interest, instead of this retiring allowance. In case of medical unfitness, retirement is allowed on the usual pension of $\frac{1}{60}$ th for each year of service. The medical certificate of two approved practitioners is required to satisfy the board that the employee has become permanently unable to perform his duties by reason of mental or bodily infirmity not caused by irregular or intemperate habits. An ordinary medical examination is required on entrance into the service. In case of the death of a male contributor, whether before or after becoming entitled

to a retiring allowance, an annuity of £18 (\$88) a year is granted to his widow, or she may choose instead the return of the deceased's contributions. Five shillings (\$1.22) a week is granted to each child under 14 years of age, whether the deceased contributor is a male or a female parent. Where there is neither widow nor child the difference between the contributions paid by the deceased and the pension received by him or her is paid to his or her legal representatives. In case of voluntary withdrawal or in case of dismissal for any cause, the contributor is entitled to a refund of the whole amount actually contributed by him to the fund, but without interest. The fund established under this act consists of the contributions of the employees, the subsidy from the Government, and the interest accruing from the investment of the fund. All moneys belonging to the fund are paid to the public trustee, who invests them in freehold securities at current rates of interest. The average rate of interest yielded by such investments is reported (by a member of the board) to be about 5 per cent. The fund is administered by a board called the Public Service Superannuation Board consisting of ten members, of whom five are appointed by the governor and five elected by the contributors. This board has the services of one secretary and two clerks. The cost of administration is reported to be nil except for the sum of £400 (\$1,947) per annum paid to the secretary of the board as salary.

"The Public Service Superannuation Act, 1907," accordingly came into operation January 1, 1908. Immediately applications to become contributors to the fund commenced to come in, and to an extent that showed at once that the act was a popular measure and would prove most successful in its operation. Up to the end of June, 1908, that is, six months after the act became effective, no fewer than 7,028 members of the public service voluntarily became contributors. This included the majority of the 5,593 persons enumerated in the census of the departments made by the actuary and also officials who, prior to the passing of the Classification Act of 1907, were only temporarily employed but who became permanent officers by the passage of that act.

The act provides that, until an official becomes a contributor to the fund, he is subject to the provisions of the previous civil service acts relating to insurance and deductions from salary. On becoming a contributor, the official is entitled at his option—

- (1) To keep his insurance policy alive independently of the superannuation act;

- (2) To surrender the policy and have its surrender value paid to the public trustee to be invested independently of the fund, and to be paid to him, together with all interests on it, when he retires or to his personal representatives on his death; or,

- (3) To surrender the policy and receive the equivalent of its surrender value in the form of a paid-up policy.

Since the provision for widows and dependents under the new superannuation scheme is not on such a high scale as to make insurance no longer necessary, it is the expectation of the government insurance commissioner that large numbers of civil servants whose own old age is well provided for by the superannuation fund will see the wisdom of making provision for their families by assurance on their lives, for which the department offers special facilities. Even though compulsory insurance was imposed, under the Act of 1893, only on new entrants under forty years of age, a large proportion of the support given to the Insurance Department came from voluntary action on the part of government employees in all branches and grades of the service, including teachers, policemen, railway men, and civil servants. The following statement, taken from a "Brief Survey of New Zealand's State Life Insurance," prepared for distribution at the Franco-British Exposition in London, 1908, shows that government employees contributed in premiums upwards of £44,000 (\$214,126) a year out of a total premium income of over £320,000 (\$1,557,280). Of this less than 13 per cent was of the nature of compulsory insurance, as shown by the following statement:

<i>Yearly premiums.</i>		•
Railways.....	\$74, 457	
Posts and Telegraphs.....	37, 959	
Education.....	27, 252	
Police Force.....	9, 733	
Other Departments (per Treasury).....	40, 392	
Voluntary assurance premiums.....	189, 793	
Compulsory assurance premiums (under Civil Service Insurance Act).....	28, 226	
		218, 019

OPERATION OF LAW, FIRST SIX MONTHS.

The Public Service Superannuation Board's report for the first six months of the law's operation shows, however, that considerable difficulty was experienced at first, owing to the fact that the temporary officers who had become permanent were under the impression that they were exempt from the necessity enjoined on all officers joining the service since 1893 of having to insure their lives, and they considered that the option given by the act to all those newly made permanent of having the privilege of electing within six months to become contributors, exempted them in the meantime from having to insure under the provisions of "The Civil Service Insurance Act, 1893," should they decide not to become contributors until the six months' option had expired. This was, however, overcome, and with a few exceptions they undertook the responsibilities of other public officers and joined the fund.

This report states that "the popularity of the act has been distinctly proved by the very large number of officials who have voluntarily joined as contributors. There are cases where some who have

become permanent officers under the Classification Act, and who had to join as contributors or insure, demurred at having to accept the responsibilities of the position, and considered it somewhat of a hardship that, being already insured in the Government Insurance Office or other private companies, they should have their small salaries further taxed by having to contribute to the fund or take out a policy under "The Civil Service Insurance Act, 1893;" but, as against the few who felt this hardship, a large majority of the public service felt that a very great privilege had been accorded them under the liberal provisions of the act. Many of these had given years of their life to the service of the Dominion as temporary officials, and had no hope or prospect of any retiring allowance when their time came to leave the service, and they were gratified to find that under this act their past service would be taken into account when they retired, and that they would be accorded the same privileges as regards a retiring allowance as those permanent officers with whom they had worked for many years."

The following statement for the six months ending June 30, 1908, was made:(^a)

Number of contributors.....	7,028
Annual contributions.....	\$267,658
Contribution from the Consolidated Fund	\$97,330
Retiring allowances granted.....	63
Representing an annual payment of.....	\$26,547.43
Number of officials retired as medically unfit.....	9
Representing an annual payment of.....	\$3,931.69
Number of contributors who have died during the six months.....	9
Annual pension to five widows and seven children.....	\$881

The total allowances granted, it will be seen, amount to £6,444 11d. (\$31,359.95). The largest pension paid is £339 3s. 4d. (\$1,650.55) and the smallest £12 9s. 9d. (\$60.77).

PUBLIC ATTITUDE IN REGARD TO LAW.

The superannuation scheme seems to be satisfactory to the New Zealand public as well as to the civil employees. Press comments at the time of its adoption took the form of congratulation rather than of any criticism of the extra charge laid on the country. Sympathetic interest was also shown by Australian and English papers. "While the superannuation scheme undoubtedly imposes a heavy tax on the Consolidated Revenue, it at the same time relieves it from another heavy outlay, and the additional cost of superannuation is not so great as might at first be supposed," was the comment of a Melbourne paper.^(b) This cost was denominated by another journal as a "very moderate pull on the Dominion's exchequer."^(c) "The annual cost of the scheme, although not yet ascertained, will, to some

^a Report of Public Service Superannuation Board, June 30, 1908.

^b Australasian Insurance and Banking Record, Melbourne, February 20, 1908.

^c New Zealand Times, November 21, 1907.

extent, be offset by a direct saving in other directions, while the indirect saving through securing a more efficient public service should be very material," was the view expressed by a Sydney paper.^(a) The comment of a London insurance paper was "We believe there is here outlined an admirable scheme of superannuation, the administration of which will be watched with interest in many quarters of the world. We content ourselves in the meantime with observing that the indications are that it will work out to the benefit of deserving State servants, whose habits of thrift and self-help it will stimulate, without imposing an undue burden upon the people of the Dominion."^(b)

The principle involved in the sharp line of demarcation drawn by the actuary between the payment of allowances on services rendered prior to the adoption of the plan and the payment of allowances on services rendered after the adoption of the plan was clearly understood and discussed in some of the editorial comments. Speaking of the difficulties which presented themselves in the way of an application of the pension idea which would be at once financially sound and fair in its operation, the London Insurance Record said:

As the premier pointed out in the course of a debate on the bill, the civil service in New Zealand is old compared with the age of the country, and it was because of that fact that there was a supreme difficulty on the part of the Government in putting on the statute book a superannuation act forty years after some of the men had joined the service, the incidence of which was light in its burden upon members of the service. If the scheme had been commenced forty years ago a universal contribution rate of 3 or 4 per cent of salary for every one in the service would have sufficed. But the country has grown up, the old men in the service are leaving, and those who remain must fill the void.

More clearly still the Sydney "Review" states the problem and its solution in the separation of accrued from future liabilities:

The pensions are liberal, and a scheme of this description, applying to present officers, many of whom can retire immediately on very fair pensions, must of necessity entail a heavy liability on the part of any government. The favorite method, however (vide New South Wales and Cape Colony civil service schemes), has been to ignore this liability and to go on paying the pensions of the old men who retire, out of the contributions of the young men who join the scheme, until the funds are exhausted, and the outlay for pensions exceeds the income from contributions. The actuary, Mr. Morris Fox, has made the recklessness of this method quite apparent in his comprehensive reports, and the Government has agreed to start the scheme with an annual payment of £20,000 (\$97,330), the subsidy to be increased by such further amounts as will be sufficient to pay the difference between the pensions falling due and the amount of

^a Sydney Review, February 29, 1908.

^b London Insurance Record, February 21, 1908.

pension the contributions would have actually purchased. (For example, if an old servant retires on £400 (\$1,947) a year while his contributions would only have purchased £10 (\$49), the fund pays the £10 (\$49), and the Government finds the balance, £390 (\$1,898) per annum. The contributions of the younger members will therefore be accumulated at compound interest to help provide their pensions when they become payable, and will not be absorbed by meeting more immediate liabilities; the cost of providing current pensions being borne by the present taxpayers, and not by posterity. If the scheme were commenced without contributions, the pensions falling due would be the measure of the Government's annual liability, and by meeting this liability (or rather the portion not paid for by the contributor) at once, Sir Joseph Ward has made a fair division of the annual outlay between present and future taxpayers. It is this simple, but ingenious financial arrangement which differentiates the scheme from all others with which we are familiar, and the result is three-fold; the solvency of the fund is secured, the present strain on the exchequer is the minimum compatible with soundness, and only a fair share of the liability is transferred to posterity.

TEACHERS', POLICE, AND GOVERNMENT RAILWAYS SUPERANNUATION ACTS CONSOLIDATED.

It is generally felt that it would be desirable to harmonize the details of all the plans so that the provisions for civil servants, teachers, policemen, and railway men might all be included in one comprehensive law. A long step toward that end was taken last year when the four acts of consolidation were passed:

(1) "The Public Service Classification and Superannuation Act, 1908," which is a consolidation of the "Public Service Classification Act, 1907," and the "Public Service Superannuation Act, 1907," with the exception of certain omitted sections.

(2) "The Public Service Classification and Superannuation Amendment, 1908," which is to be read with and deemed part of the above act, being merely an amendment to include the teachers under the general terms of classification and superannuation provided for members of the "public service."

(3) "The Police Force Act, 1908," which is a consolidation of "The Police Force Act, 1886," "The Police Provident Fund Act, 1899," and those sections of the "Public Service Superannuation Act, 1907," which relate to the rate of contribution paid by contributors to the Fund.

(4) "The Government Railways Act, 1908," which is a consolidation of various improvement acts including "The Government Railways Superannuation Fund Act, 1902," "The Government Railways Superannuation Fund Contributions Act, 1903," and the sections in the "Public Service Superannuation Act, 1907," relating to the rate of contributions to be paid to the Fund by contributors entering the service at various ages.

The result of these various consolidation acts is that contribution to the superannuation fund is compulsory now for new entrants in every branch of the government service, and contributions are fixed at uniform rates for all branches. The rates of contribution are those adopted for the public service and the teachers, which were notably higher than those formerly imposed on the railways members, being 5, 6, 7, 8, 9, and 10 per cent for various ages as against 3, 4, 5, 6, 7, and 10 per cent for the same ages.

The four laws now read uniformly as regards the rates of contribution to be paid by a contributor, as follows:

(a) Five per cent if his age does not exceed 30 years at the time when the first contribution becomes payable;

(b) Six per cent if his age then exceeds 30 years but does not exceed 35 years;

(c) Seven per cent if his age then exceeds 35 years but does not exceed 40 years;

(d) Eight per cent if his age then exceeds 40 years but does not exceed 45 years;

(e) Nine per cent if his age then exceeds 45 years but does not exceed 50 years; and

(f) Ten per cent if his age then exceeds 50 years.

The consolidation of the various acts resulted also in the harmonization of some slight variations in the benefits offered. The most striking discrepancy was in the case of the teachers' plan, in which back service counted for only one-half in determining the amount of the pension, a provision that seems to have caused considerable discontent. "The Public Service Classification and Superannuation Amendment, 1908," corrected this discrimination, giving teachers full credit for back service and giving them pensions on the same basis as the public servants. A comparison of the benefits under the various New Zealand government superannuation schemes now in force is as follows:

COMPARISON OF BENEFITS UNDER THE VARIOUS GOVERNMENT SUPERANNUATION SCHEMES IN FORCE IN NEW ZEALAND.

Benefit.	Public Service Fund and Teachers' Fund.	Railway Fund.	Police Fund.
I. Pensions on ordinary retirement, at or over pension age:			
(1) Retiring age	Age 65 or after 40 years' service, or age 60 with approval of minister.	Age 60 or after 40 years' service, or 35 years' service with permission of board.	Age 60 and not less than 25 years' service.
(2) Amount of pension.	$\frac{1}{60}$ th of average salary for last 3 years, for each year of service.	$\frac{1}{60}$ th of final salary (or average of last 7 years, if increased in last 5 years) for each year of service.	Same as in railway fund.
(3) Pension limit	$\frac{4}{60}$ or $\frac{2}{3}$ of average salary (as above).	$\frac{4}{60}$ or $\frac{2}{3}$ of final salary (as above).	$\frac{3}{60}$ or $\frac{2}{3}$ of final salary.

COMPARISON OF BENEFITS UNDER THE VARIOUS GOVERNMENT SUPERANNUATION SCHEMES IN FORCE IN NEW ZEALAND—Continued.

Benefit.	Public Service Fund and Teachers' Fund.	Railway Fund.	Police Fund.
II. Benefits on retirement before pension age: Medically unfit.....	$\frac{1}{60}$ th of average salary for last 3 years, for each year of service. (In teachers' fund only after 15 years' service.)	$\frac{1}{60}$ th of final salary (or average of last 7 years, if increased in last 5 years) for each year of service.	Under 5 years: Return of contributions. 5 to 15 years: 1 month's pay for each year's service up to 12. Over 15 years: The usual pension. If injured on duty, Board may grant pension up to limit.
II. Benefits on death of pensioner.	(a) If no widow or children: Difference between contributions paid and pensions received. (b) If a widow: An annuity of £18 (\$88) during widowhood, or option of difference between contributions paid and pensions received. (c) If children: A weekly payment of 5s. (\$1.22) for each child until 14 years of age.	Difference between contributions paid and pension received, together with compensation (1887, Act).	Difference between contributions paid and pension received (at discretion of Board).
IV. Benefit on death of contributor while in service: (1) If no widow or children. (2) If widow or children.	Same as above..... .....do.....	Same as above..... An annuity of £18 (\$88) during widowhood, and 5s. (\$1.22) per week for each child until 14 years of age or option of return of such portion of contributions as the Board thinks proper.	No benefit. If from injuries on duty: An annuity of £18 (\$88) during widowhood, and 5s. (\$1.22) per week for each child until 14 years of age. If not from injuries on duty: Such sum as the Board thinks proper up to amount of contributions.
V. Benefits on voluntary withdrawal or dismissal (not for misconduct) before pension age.	Return of contributions without interest.	Return of contributions without interest, together with compensation (1887, Act).	Under 10 years: Nothing. After 10 years, and not over 25: Return of three-fourths of contributions.
VI. Benefits on dismissal for misconduct.	Same as above.....	Return of contributions without interest.	Return of not more than one-half of contributions.

Compared with 4,963 men and 630 women in the public service in 1907, there were that same year 815 men and 6 women in the police scheme, and 8,265 men in the railway scheme, and in 1908 there were 1,436 men and 1,446 women in the teachers' plan.

REPORT ON THE 'TEACHERS' FUND.

The second report of the board constituted by "The Teachers' Superannuation Act, 1905," shows that the number of contributors to the Teachers' Superannuation Fund on March 31, 1908, was 2,882. The aggregate annual salaries of the contributors to the fund was £446,607 (\$2,173,413) and the actual amount of contributions received during the year was £32,676 (\$159,018). Thirty-eight new retiring allowances were granted during the year to contributors, 6 allowances

to widows and orphans, which added to 94 already existing made a total of 138 allowances granted, but as 8 of them were discontinued during the year only 130 existed at the end of the year. These amounted to £6,062 10s. 11d. (\$29,503).

Of the number of contributors who retired during the year 24 (including 4 "medically unfit" cases) were granted annual allowances aggregating £1,389 10s. (\$6,762). Six widows and eight children, the representatives of six contributors who died, were granted annual allowances amounting to £212 (\$1,032) and a refund of contributions of £132 9s. 9d. (\$644.75). The total number of retired contributors on account of whom annual allowances were granted during the year was therefore 30. Four contributors whose length of service was not over fifteen years retired as being "medically unfit for further duty." In each of these cases, a sum equal to one-twelfth part of the total salary received by them during all the years of their service prior to January 1, 1906, was granted, together with a refund of their contributions to the fund. The total amounts were £212 10s. 1d. (\$1,034.15) and £21 9s. 9d. (\$104.57), respectively: total £233 19s. 10d. (\$1,138.72). Seven contributors died before entering upon pension, and their contributions to the fund, amounting to £87 4s. 3d. (\$424.42) were paid to their legal representatives. To one hundred contributors who voluntarily retired from the education service before becoming entitled to participate in the benefits of the fund contributions amounting to £1,014 10s. 1d. (\$4,937.08) were returned. The total number of contributors who retired from the education service during the year was 141. Five pensioners died during the year, of whom 4 left widows, and 2 children under the age of fourteen years, to whom annual allowances were granted. Three children attained the age of fourteen years, and their allowances consequently ceased.

The balance to the credit of the fund at the close of March, 1908, was £62,222 11s. (\$302,806), and of this sum £48,100 (\$234,079) was invested on mortgage—£37,100 (\$180,547) at 4½ per cent, and £11,000 (\$53,532) at 5 per cent. The balance of £14,122 11s. (\$68,727), bearing interest at 4 per cent was awaiting investment by the public trustee.

REPORT ON THE POLICE FUND.

The last annual report of the Board of Administration of the Police Provident Fund shows that 1 sergeant and 7 constables were retired with annual allowances during the year which ended on March 31, 1908. There were at that date 3 exinspectors, 22 exsergeants, 40 exconstables, 3 exdetectives, 2 widows, and 2 children on the fund, their aggregate annual allowance being £6,574 2s. 6d. (\$31,992.98). The balance sheet shows that the contributions dur-

ing the year amounted to £7,232 3s. 4d. (\$35,195.34), fines to £46 12s. 6d. (\$226.90), and interest to £1,509 16s. 9d. (\$7,347.62), whereas, on the other hand, life allowances amounted to £6,327 19s. 3d. (\$30,795.03), and numerous other grants were paid, leaving to the credit of the fund of £30,537 5s. 7d. (\$148,609.67), an increase over the amount on hand at the corresponding date of the preceding year of £1,411 4s. 4d. (\$6,867.69).

REPORT ON THE GOVERNMENT RAILWAYS FUND.

The report of the Board on the Government Railways Superannuation Fund for the year ending March 31, 1908, shows that members contributed £45,669 0s. 9d. (\$223,248.37) to the fund during the year; fines amounted to £239 5s. (\$1,164.31), and interest to £5,352 3s. (\$26,046.24), while on the other hand, superannuation allowances to the amount of £26,758 16s. 7d. (\$13,279.85) were paid during the year to 484 members of the railway service who had either voluntarily resigned or been retired as medically unfit, allowances amounting to £3,799 12s. 9d. (\$18,490.94) were paid to 105 widows and 173 children, the dependents of deceased members of the service who had not retired on superannuation at the time of their death, refunds amounting to £342 9s. 1d. (\$1,666.55) were paid to the legal representatives of deceased members, a sum of £3,610 19s. 7d. (\$17,572.83), representing contributions of members of the service who voluntarily retired or whose services were otherwise dispensed with during the year was refunded to members concerned and other small disbursements were made, leaving a balance to the credit of the fund of £126,642 18s. 11d. (\$616,307.90).

The total amount of annual allowances granted by the Board from the beginning of the fund until the end of March, 1908, was distributed as follows:^(a)

Life allowances on account of voluntary retirements (449 persons).....	\$140,766.74
Life allowances on account of retirements as "medically unfit," (87 persons).....	24,193.13
Allowances to 109 widows and 211 children.....	22,935.39
Total annual allowances granted.....	187,895.26

Seventy beneficiaries have died since the inauguration of the fund, including nineteen during the year under review, and seven members who had been placed on the fund as "medically unfit" resumed duty. The fund was relieved of an annual liability of £4,621 18s. (\$22,492.48) in respect to these seventy-seven members. Forty-four children have reached the age of fourteen years (eight during the past year), two children have died, six widows remarried, and three widows died, lessening the liability of the fund by an additional £761 13s. (\$3,706.57) per annum.

^a Report of Board on Government Railways Superannuation Fund, 1908, p. 2.

The number of persons actually on the fund at March 31st, 1908, was 724, involving an annual liability of £33,226 7s. 9d. (\$161,696.21) as shown by the following statement of annual balances and annual allowances actually granted by the board:(^a)

	Balance.	Allowances.
1903.....	\$34,340. 88	.....
1904.....	196,401. 54	\$58,450. 23
1905.....	334,184. 42	41,459. 58
1906.....	442,776. 52	30,895. 85
1907.....	538,899. 72	21,406. 50
1908.....	616,307. 90	35,683. 10
Less members died, etc.....		187,895. 26 26,199. 05
Annual liability at March 31, 1908.....		161,696. 21

CONCLUSIONS.

The experience of New Zealand in retiring its civil employees is particularly instructive to the student of superannuation schemes. Hampered by few theories or precedents, but mindful of the experience of the mother country and of other British colonies, the citizens of New Zealand have proceeded to try several schemes, discarding a scheme as soon as its inadequacy or unsuitability was demonstrated and substituting another which was free from the features found objectionable in previous ones. The result has been a gradual development of ideas along rational lines, until it would seem that there has been evolved a plan that is actuarially sound, one that meets the requirements of the service, and one that fits in with the ideas of the people generally as to what is fair and suitable.

After thirteen years of experience in granting straight pensions that plan was abandoned because of the fear that it meant eventually a too heavy charge on the public treasury. Abandoning the pension system, therefore, New Zealand contented itself for a period of thirteen years with making gifts of lump sums to each employee retiring from the service, basing the amount of the gift on the length of service. This was, however, merely a makeshift in recognition of the fact that old people could not be dismissed from office without great hardship unless some kind of provision was made for them. Even this was felt to be too heavy a burden on the Treasury, however, and there followed the Act of 1886, which authorized deductions from salaries, and was simply a scheme of compulsory savings established with the idea that the superannuated employee must be taken care of, but at his own and not at the public expense. It should be noted that the change made in 1886 was practically the withdrawal of a privilege which existed before, the compensation of a month's salary for every year's service, and was in harmony with the spirit of

^a Report of Board on Government Railways Superannuation Fund, 1908, p. 1.

retrenchment which flourished in New Zealand in the last half of the eighties, when there was a considerable cutting down of salaries and dispensing with employees. While this arrangement promised relief to the Treasury, it was not satisfactory to the employees of the Government as a retirement measure, because they saw that the sum to the credit of the individual on retirement would be inadequate in case the officer lived many years after retirement. The actions taken in 1871 of abolishing the pension system, and in 1886 of abolishing the compensation plan and requiring deductions from salaries were taken purely in the interest of the treasury. In 1893, for the first time since the pension system was established in 1858, action was taken which was designed purely and simply in the interest of the service. Good as far as it went, the provision for compulsory insurance proved, however, like the provision for compulsory savings, inadequate as a substitute for a retirement measure. Finally, in 1907, a contributory retirement plan with a subsidy from the Government was adopted. This plan, by permitting continuance of insurance in the Government Life Insurance Department if the employee so desires, affords adequate provision for every possible contingency in the life of the civil employee.

The situation in New Zealand, therefore, at present is this: The Government has come to realize, on the one side, and the civil service, on the other, that it is impossible to get something for nothing. The Government has ceased to attempt the abolition of pensions and compensations and the compulsion of deductions from salary without making a corresponding contribution, and has become willing not merely to retire those who are already superannuated, but to contribute a certain permanent annual subsidy toward the support of a superannuation measure for the benefit of the civil service. At the same time, the members of the civil service have come to see that a system of free gifts from the Government, whether it be in the nature of pensions, compensations, or gratuities, is not the most desirable plan that could be devised, and they are almost unanimously willing to contribute from their salaries to the support of a retirement plan which meets their approval.

The plan is based on two fundamental principles not observed in the contributory plans whose funds have become insolvent:

(1) The rates of contribution are fixed by the age of entrance into the service and not by any arbitrary percentage of assessment. This means that the amount of the annuity is determined in each case by the length of service and amount of salary, and that each employee contributes only to his own retirement, so that the plan is equitable as between different classes of employees.

(2) A sharp line of demarcation is drawn in this plan between accrued and future liabilities. The Government agrees to pay all annuities on services rendered up to the time of the adoption of the

plan. Since the contributions of the civil servants are not sufficient to provide all the generous benefits—including those to invalids and widows and orphans—the Government agrees to make up whatever deficit there is on this score also. There is no expectation of making the plan self-supporting.

The calculations as to the cost to the Government of establishing and carrying on this plan were carried only through the first year, but since the law makes provision for triennial valuations of the fund, this is of little practical importance if the people of New Zealand are willing to accept the plan on a mere estimate as to its cost. Even if the possible maximum cost had been computed out to the last year of life of the last member of the present service, the necessity for frequent valuations of the fund would be imperative on other grounds. The benefits provided under the plan are very liberal, including as they do allowances for the disabled and for the widows and orphans as well as for the superannuated. The sufficiency of the fund to meet these benefits can be ascertained only by periodical valuations, in view of the uncertainty, owing to the lack of statistics, as to the strain on the fund from invalidity allowances on the one hand, and the relief on the other from the forfeiture of interest by those resigning from the service before reaching the retirement age. It is apparent, however, that the fundamental principles underlying this plan might have been applied to a plan designed to be entirely self-supporting, but the people of New Zealand have been willing to increase the benefits under the plan beyond what the contributions of the employees could support and to make the contributions necessary for that purpose. With the liberal benefits provided under the Superannuation Act of 1907, requiring permanent help from the Government, it is plain that the actuary was right in insisting that a provision for frequent valuations of the fund is necessary to insure its actuarial soundness.

Certain details of the plan are worthy of note by the student. There is no compulsory age of retirement, notwithstanding England's experience that the absence of such provision is inadvisable. Provision is made for the cash refund of contributions on separation from the service, but interest on them is forfeited—an offset to the liberality of the benefits provided for those who remain in the service. The retiring allowance is based on the salary during the last three years of service rather than on the average salary. These are features the wisdom of which can be determined only by experience.

New Zealand's experience in retiring its civil employees is especially instructive for two reasons, first, because of the variety of experiments made, and, second, because the final conclusion rests on theoretical principles generally acknowledged to be sound and yet in actual practice "more honored in the breach than in the observance."

APPENDIX.

PUBLIC SERVICE SUPERANNUATION ACT.

[1907, No. 63.]

AN ACT to provide a Superannuation Fund for the Public Service (November 25, 1907).

Be it enacted by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:

1. This Act may be cited as the Public Service Superannuation Act, 1907, and shall come into operation on the first day of January, nineteen hundred and eight.

2. In this Act, if not inconsistent with the context, "Board" means the Public Service Superannuation Board established under this Act. "Public Service" includes the High Commissioner's Office, the Legislative Branch, and every Department of the Government service except the Government Railways Department, so much of the Police Department as is included in the Police Provident Fund Act, 1899, and so much of the Education Department as is included in the Teachers' Superannuation Act, 1905. "Contributor" means a contributor to the fund. "Department" means every branch of the Public Service which is administered separately. "Fund" means the Public Service Superannuation Fund. "Regulations" means regulations made by the Governor by Order in Council gazetted. "Salary" of a contributor means the rate of salary or wages paid in respect of his service, but does not include allowances or payment for overtime.

PUBLIC SERVICE SUPERANNUATION FUND.

3. There is hereby established in connection with the Public Service a fund to be called the Public Service Superannuation Fund, which shall be administered by the Board.

4. The fund shall consist of (a) the contributions from contributors as hereinafter provided; (b) moneys at any time paid into the fund under sections thirty-two and thirty-three hereof; and (c) interest from time to time accruing from investment of the fund as hereinafter provided.

5. All moneys belonging to the fund shall be paid to the Public Trustee, who shall from time to time invest the same in such manner as is prescribed by regulations.

6. The fund shall be administered by a Board called the Public Service Superannuation Board, consisting of ten members, namely: A Minister of the Crown; four persons to be appointed and removable by the Governor in Council; two persons to be elected by and from the contributors who belong to the Post and Telegraph Department; and three persons to be elected by and from the contributors who belong to other Departments of the Public Service.

7. (1) With respect to the elective members of the Board the following provisions shall apply:

(a) A ballot of the members of the Post and Telegraph Department, and a separate ballot of the members of the other Departments, shall be taken on the first Monday in July, nineteen hundred and eight, and on the first Monday in March in every third year thereafter.

(b) Every ballot shall be taken in manner prescribed by regulations; and if any question arises as to the regularity or validity of any ballot, or the voting thereat, such question shall be determined by the Minister of Internal Affairs, whose decision shall be final.

(c) If any such member of the Board dies, or by notice in writing addressed to the permanent head of the Department of Internal Affairs resigns his office, or ceases to be a member of the Public Service, then and in any such case his seat shall become vacant.

(d) Such vacancy shall be filled by election by a ballot of the members of the Department or Departments represented by the vacating member; but the person so

elected shall hold office only for the residue of the period during which his predecessor would have held the same if he had remained a member of the Board:

Provided that where such vacancy arises within three months before the ordinary election, a ballot shall not be taken, but in lieu thereof the Governor may appoint to such vacancy any member of the Department or Departments represented by the vacating member.

(2) Notice of the election or appointment of every member of the Board shall be gazetted, and such gazetting shall be conclusive evidence of the validity of every such election or appointment.

(3) The members to be appointed by the Governor in Council may be appointed at any time after the coming into operation of this Act and they, together with the Minister, may, until the first election of the elective members, exercise all the powers and functions of the Board.

8. With respect to the procedure of the Board the following provisions shall apply:

(a) The Minister shall be chairman at all meetings at which he is present, and in his absence the Board shall elect some other member to be chairman.

(b) Five members of the Board shall form a quorum.

(c) Subject to the provisions of this Act and the regulations made thereunder, the Board may regulate its own proceedings.

9. The Governor may from time to time appoint some person to be Secretary of the Board, and such person may hold the office of Secretary in conjunction with any other office which the Governor deems to be not incompatible therewith, and shall receive, out of moneys to be appropriated by Parliament, such salary as the Governor from time to time determines.

CONTRIBUTORS.

10. (1) Every person who on the coming into operation of this Act is permanently employed in any capacity in the Public Service, and every person who on the coming into operation of this Act is employed in any Department, and has been continuously employed in any one or more Departments for a period of five years or more, may at any time within six months after the coming into operation of this Act, by notice in writing to the Secretary of the Board, elect to become a contributor to the fund.

(2) If he so elects, he shall as from the date of his election be a contributor, and entitled to all the benefits of the fund, subject to the provisions of this Act.

(3) If he does not so elect, he shall not at any future time become a contributor to the fund or participate in its benefits, except on payment of a sum computed in the manner prescribed by regulations, and on such conditions as the Board, having due regard to the interests of the fund, determines; but he shall continue to be entitled to any rights to which but for the passing of this Act he would have been entitled.

(4) Every person who does not elect to become a contributor, and who has hitherto had a deduction made from his salary under the Civil Service Reform Act, 1886, the Post and Telegraph Classification and Regulation Act, 1890, or the Civil Service Insurance Act, 1893, shall continue to pay such deduction as heretofore.

11. (1) All persons who are first permanently employed in any capacity in the Public Service after the coming into operation of this Act shall be contributors to the fund, and the provisions of the Post and Telegraph Classification and Regulation Act, 1890, relating to deductions from salaries, and the Civil Service Insurance Act, 1893, shall not apply to such contributors.

(2) Every person who on the coming into operation of this Act is temporarily employed in any capacity in the Public Service may, at any time within six months after having completed five years' continuous service in any one or more Departments, elect, by notice in writing to the Secretary of the Board, to become a contributor to the fund. If he so elects he shall, as from the date of his election, be a contributor entitled to all the benefits of the fund, subject to the provisions of this Act.

12. (1) The contribution from contributors shall in each case be the following percentage of the salary of each contributor respectively, and shall be deducted from the contributor's salary as it becomes payable from time to time, that is to say—

(a) Five per centum if his age does not exceed thirty years at the time when the first contribution becomes payable;

(b) Six per centum if his age then exceeds thirty years but does not exceed thirty-five years;

(c) Seven per centum if his age then exceeds thirty-five years but does not exceed forty years;

(d) Eight per centum if his age then exceeds forty years but does not exceed forty-five years;

(e) Nine per centum if his age then exceeds forty-five years but does not exceed fifty years; and

(f) Ten per centum if his age then exceeds fifty years.

(2) The amount so deducted shall forthwith be paid by the Minister of Finance to the Public Trustee to the credit of the fund.

(3) For the purposes of this section a contributor's age shall be deemed to exceed thirty years on and after the thirtieth anniversary of his birth, and the other ages mentioned in this section shall be calculated respectively in the same manner.

13. If the salary of a contributor is for any period temporarily stopped on the ground of ill health, or if for any period a contributor is on leave of absence without salary, he shall during such period continue to contribute to the fund in such manner and to such extent as may be prescribed by regulations.

14. (1) When any person who has had or is liable to have any part of his salary deducted under the Civil Service Reform Act, 1886, or the Post and Telegraph Classification and Regulation Act, 1890, becomes a contributor, such deduction shall thereupon cease, and the amount in the hands of the Public Trustee to his credit by virtue of either of such Acts shall be vested independently of the fund for the benefit of the contributor and shall, on his retirement or death, be paid as provided by such Act, in addition to the benefits to which he is entitled under this Act.

(2) When any person who has effected a policy on his life under the Civil Service Insurance Act, 1893, becomes a contributor, he shall be entitled at his option—

(a) To keep the policy alive independently of this Act; or

(b) To surrender the policy and have the surrender value thereof paid to the Public Trustee to be invested independently of the fund, and to be paid, together with all interest accrued thereon, to the contributor on his retirement, or to his personal representatives on his death; or

(c) To surrender the policy and to receive the equivalent of its surrender value in the form of a paid-up policy, following the terms and conditions of the surrendered policy, or such other terms and conditions as may be mutually agreed upon between the policy-holder and the Government Insurance Commissioner.

(3) The option conferred by the last preceding subsection may be exercised by the policy-holder at any time after he becomes a contributor.

(4) The Governor in Council may at any time direct that the whole or any part of the money standing to the credit of any contributor under subsections one and two of this section shall be paid to such contributor.

15. When any person who is entitled under the Civil Service Act, 1866, to receive compensation for loss of office becomes a contributor, the following provisions shall apply:

(a) Save in the manner and to the extent hereinafter in this section stated, his right to such compensation shall not be taken away or affected, but shall be cumulative with his right to payment from the fund.

(b) Such compensation shall be calculated only in respect of the period of his employment up to the time when he became a contributor and in respect of his salary at the time when he became a contributor.

(c) If on his retirement from the Public Service he receives and accepts a retiring allowance from the fund, he shall thereby forfeit his right to such compensation. He shall be deemed to have received and accepted a retiring-allowance when he has received and accepted his first installment thereof.

(d) If on his retirement from the Public Service he receives and accepts such compensation, he shall forfeit his right to a retiring-allowance from the fund, and no annuity or periodical payment shall be payable out of the fund on his death; but the acceptance of such compensation shall not affect his right to a return of the contributions made by him to the fund, or, in case of his death, the right of any other person to a return of such contributions.

(e) If after he has retired from the Public Service he dies before he has received and accepted either a retiring-allowance from the fund or compensation under the said Act, such compensation (if any) shall be payable to his personal representatives, and no moneys shall be payable out of the fund except the amount of his contributions.

(f) Notwithstanding anything hereinbefore contained, if a contributor who has received and accepted a retiring-allowance dies before the amount paid to him in respect to such allowance is equal to the aggregate amount of the compensation to which he was so entitled and his contributions to the fund, the difference between the said amounts shall be payable out of the fund to and on behalf of the persons entitled, under the provisions of sections twenty-five and twenty-six of this Act, to the balance (if any) of his contributions to the fund.

16. If any dispute arises as to whether any person is a member of the Public Service within the meaning of this Act, or as to whether any person is, or is entitled or bound to become, a contributor to the fund, or as to the length of service of any contributor, such dispute shall be determined by the Board, and the determination of the Board shall be final and conclusive.

BENEFITS OF THE FUND.

17. The fund shall be held and applied for the benefit of the contributors in the manner and subject to the conditions hereinafter set forth.

18. (1) Every male contributor whose length of service is not less than forty years or whose age is not less than sixty-five years, and every female contributor whose length of service is not less than thirty years or whose age is not less than fifty-five years, may at any time retire from the Public Service at the expiration of three months' notice of his or her intention so to do, and shall thereupon be entitled to receive from the fund an annual retiring-allowance for the rest of his or her life, computed as follows:

For every year of service such contributor shall receive one-sixtieth part of his or her annual salary, but in no case shall the retiring-allowance exceed two-thirds of such salary:

Provided that the Minister in charge of the Department in which a contributor is employed may extend the provisions of this section to any case in which the age of a male contributor is not less than sixty years or the age of a female contributor is not less than fifty years.

(2) In the last preceding subsection the term "service" means—

(a) In the case of an original contributor, continuous employment in the service of the Government up to the date of the contributor's retirement, whether permanent or temporary, and whether before or after the date at which he becomes a contributor, and whether in the Public Service or in any one or more of the other branches of the Government service; and

(b) In the case of a contributor who is not an original contributor continuous employment in the Public Service from the date at which he becomes a contributor up to the date of his retirement.

(3) For the purposes of this section the Government service shall be deemed to include the service of any Provincial Government and the service of the New Zealand Railway Commissioners.

(4) The term "original contributor" means a person who becomes a contributor under the provisions of section ten hereof.

19. (1) Every contributor who, with the consent or by the direction of the Minister, retires from the Public Service on the ground of being medically unfit for further duty shall on his retirement be entitled to receive from the fund a retiring-allowance for the rest of his life, computed as mentioned in the last preceding section.

(2) In the case of a retiring-allowance being granted on the ground of the contributor being medically unfit for further duty, such retiring-allowance, or any one or more installments thereof, may be forfeited by the Board if the contributor fails at any time to submit himself for further medical examination when required by the Board, or if, being reported on such examination to be medically fit to return to duty, the contributor fails to do so when required by the Minister in charge of the Department from which he retired; but this subsection shall not apply to any male contributor after he has attained the age of sixty-five years, or to any female contributor after she has attained the age of fifty-five years.

(3) For the purposes of this Act a contributor shall be deemed to be medically unfit for further duty if on the certificate of at least two medical practitioners approved by the Board it is established to the satisfaction of the Board that by reason of mental or bodily infirmity, not caused by irregular or intemperate habits, such contributor has become permanently unable to perform his duties.

20. (1) If any contributor who has retired from the Public Service on a retiring-allowance is permanently reappointed to the Public Service, his retiring-allowance shall thereupon cease to be payable, and he shall again become a contributor to the fund; and if he subsequently retires from the said service his retiring-allowance shall be calculated separately in respect of his two successive periods of service and of the salary received by him in each of such periods.

(2) When in any other case than that provided for by the last preceding subsection a contributor returns to duty while in receipt of a retiring-allowance, or receives payment for services rendered by him to or for any branch of the Government service while in receipt of a retiring-allowance, then no more of such retiring-allowance shall be paid than is equivalent, when added to the remuneration so received by him in any one year, to his annual salary at the date of his retirement.

21. A contributor may on his retirement, or at any time before accepting the first installment of his retiring-allowance, elect to accept a sum equal to the total amount of his contributions to the fund in lieu of his retiring-allowance, in which case he shall be entitled to receive such sum accordingly without interest, but no further sum shall be payable out of the fund in the event of his death.

22. For the purpose of computing the retiring-allowance to be granted to a contributor, his salary shall be deemed to be the average rate of salary received by him

during the three years next preceding his retirement, or if his service has not continued for three years, then during the period of his service:

Provided that where by reason of the age or infirmity of a contributor his salary has been reduced, or he has been transferred to a position inferior to that which he previously occupied, his retiring-allowance shall be computed on the average rate of salary received by him during the three years next preceding such reduction or transfer.

23. A retiring allowance shall be paid by equal monthly installments, the first installment being payable one month after the date of the contributor's retirement.

24. If any contributor voluntarily retires from the Public Service before becoming entitled to a retiring allowance under this Act, or if his services are dispensed with from any cause, he shall be entitled to a refund of the whole amount actually contributed by him to the fund, but without interest.

25. If any male contributor dies, whether before or after becoming entitled to a retiring allowance, the following provisions shall apply:

(a) If he leaves a wife surviving him, there shall be paid out of the fund to the widow, at her election, either (i) an annuity of eighteen pounds during her widowhood; or (ii) the amount of the deceased contributor's contributions to the fund, less any sums received by him from the fund in his lifetime.

(b) Any such election by the widow shall be final, and shall be deemed to be made when the first payment from the fund is received and accepted by her.

(c) If the said contributor leaves a child or children under the age of fourteen years, there shall be paid out of the fund to or on behalf of each such child the sum of five shillings a week until such child attains the age of fourteen years.

(d) If the said contributor leaves no widow, the amount of his contributions to the fund, less any sums which he has received out of the fund in his lifetime, and less any sums which have been paid or may become payable in the future to or on behalf of any child or children under the age of fourteen years under the foregoing provisions, shall be paid to the personal representatives of the deceased contributor in trust for the persons entitled thereto under his will, or, in case of intestacy, for the next of kin or other persons entitled to his estate under the Statutes of Distribution.

26. When any female contributor dies, whether before or after becoming entitled to a retiring allowance, the following provisions shall apply:

(a) If she leaves a child or children under the age of fourteen years, there shall be paid out of the fund to or on behalf of each such child the sum of five shillings a week until such child attains the age of fourteen years.

(b) The amount of the contributions of such deceased contributor, less any sums which she has received out of the fund in her lifetime, and less any sums which have been paid or may become payable in the future to or on behalf of any child under the age of fourteen years under the foregoing provisions of this section, shall be paid to her personal representative in trust for the persons entitled thereto under her will, or, in case of her intestacy, for the next of kin or other persons entitled to her estate under the Statutes of Distribution.

27. (1) Any moneys payable out of the fund under either of the two last preceding sections to or on behalf of a child under the age of fourteen may, at the discretion of the Board, be either paid to the child himself or expended by the Board for the benefit of the child, or paid to the Public Trustee or any other person, to be expended on behalf of the child in such manner as the Public Trustee or such other person thinks fit.

(2) Any moneys payable out of the fund under either of the two last preceding sections to the personal representatives of a deceased contributor may, if no grant of probate or letters of administration is obtained within three months after the death of the contributor, be paid to the Public Trustee in trust for the persons beneficially entitled thereto under this Act.

28. When compensation is paid by the Crown or any Government Department under the provisions of the Workers' Compensation for Accidents Act, 1900, or any Act amending or substituted for that Act, in respect of an accident to a contributor, the following provisions shall apply:

(a) When such compensation is paid to the contributor in respect of an accident by which he has become medically unfit for further duty, all moneys so received by him, whether by way of a weekly payment or otherwise, shall to the extent thereof be deemed to be received in satisfaction of his retiring allowance under this Act, and such allowance shall be reduced or postponed accordingly in such manner as the Board directs.

(b) When any such compensation has been received in respect of the death of a contributor by any person entitled under this Act to receive any annuity or periodical payment in consequence of such death, the compensation so received by that person shall to the extent thereof be deemed to be received in satisfaction of such annuity or periodical payment, and the same shall be reduced or postponed accordingly in such manner as the Board directs.

(c) No such compensation shall take away or affect the right of a contributor or any other person to receive from the fund under the provisions of this Act the amount of the contributions made to the fund by a contributor.

29. In no case shall any retiring allowance or other moneys granted or payable out of the fund to any person be in any way assigned or charged or pass to any other person by operation of law; nor shall any moneys payable out of the fund on the death of a contributor be assets for the payment of his debts or liabilities.

MISCELLANEOUS.

30. (1) Before the first day of April in each year there shall be prepared by the Board, in such form as may be prescribed by regulations, a statement of its revenue account for the year ended on the thirty-first day of December preceding, and of its balance sheet at the close of such year, and a statement of membership and of retiring and other allowances at the close of such year.

(2) Such accounts and statements, accompanied by a report from the Board, after being audited by the Audit Office, shall, within ten days after the completion of the audit, be forwarded by the Board to the Minister of Internal Affairs, who shall within ten days after the receipt thereof lay the same before Parliament if then sitting, or if not, then within ten days after the commencement of the next ensuing session.

31. (1) For the period ending on the thirty-first day of December, nineteen hundred and ten, and for each triennial period thereafter, an examination of the fund shall be made by an actuary appointed by the Governor.

(2) The actuary shall set forth the result of such examination in a report which shall be so prepared as to show the state of the fund at the close of the period, having regard to the prospective liabilities and assets and the probable annual sums required by the fund to provide the retiring and other allowances falling due within the ensuing three years without affecting or having recourse to the actuarial reserve appertaining to the contributors' contributions.

(3) The Board shall cause such report to be printed and a copy thereof to be supplied to each contributor.

(4) A copy of such report shall, within ten days after it is received, be laid before Parliament if then sitting, or if not, then within ten days after the commencement of the next ensuing session.

32. (1) Forthwith after the coming into operation of this Act, and in the month of January in every year thereafter, the Minister of Finance shall pay into the fund and out of the Consolidated Fund, without further appropriation than this Act, the sum of twenty thousand pounds, together with such further amount (if any) as is deemed by the Governor in Council, in accordance with the aforesaid report of the actuary, to be required to meet the charges on the fund during the ensuing year.

(2) A statement of all additional amounts so paid into the fund shall be laid before Parliament within ten days after the payment thereof if Parliament is then sitting, or, if not, then within ten days after the commencement of the next ensuing session.

33. (1) Fines which, pursuant to any Act or regulations relating to the Public Service, would but for the passing of this Act be payable to any other fund shall hereafter be paid into the Public Service Superannuation Fund and shall form part thereof.

(2) Nothing in this section shall apply to any fines payable into the Police Provident Fund or the Government Railways Superannuation Fund.

34. The Governor may from time to time, by Order in Council gazetted, make such regulations as he thinks necessary for any of the following purposes:

(a) Prescribing the manner in which elections shall be conducted, and the facilities to be given to members of the Public Service for voting thereat, and to the members of the Board for attending meetings thereof;

(b) Prescribing the powers, functions, and procedure of the Board with respect to the fund;

(c) Prescribing the mode of investment of moneys belonging to the fund; and

(d) Generally prescribing whatever else he thinks necessary in order to give full effect to this Act.

35. The provisions of this Act shall not apply to the following persons:

(a) Members of the General Assembly or Ministers of the Crown:

(b) Any Judge of the Supreme Court or of the Court of Arbitration:

(c) The High Commissioner:

(d) Any person entitled under any Act to receive a pension on his retirement from the Public Service:

(e) Any person who is remunerated by fees or commission and not by wages or salary:

(f) Members of the Defence Forces, except the Permanent Militia and other persons permanently employed in the said forces:

(g) Any person who is appointed to any place or office which the Governor has by Order in Council at or before the time of such appointment declared not to be subject to the provisions of this Act.

OTHER SUPERANNUATION FUNDS.

36. When prior to the coming into operation of this Act any person has been transferred from the Public Service to the service of the New Zealand Railway Commissioners or to the Government Railways Department, and has served continuously in the Public Service and that service or Department, then, for the purpose of computing his retiring-allowance under the Government Railways Superannuation Fund Act, 1902, such service shall be deemed to be service in that Department within the meaning of that Act.

37. Any contributor to the Police Provident Fund, the Government Railways Superannuation Fund, the Teachers' Superannuation Fund, or the Public Service Superannuation Fund who is after the passing of this Act transferred from one branch of the Government service to another shall continue as a contributor to the fund which he originally joined, and shall be entitled to the benefits accruing thereunder in the same manner as if no such transfer had taken place.

38. Every person who after the passing of this Act becomes a contributor to the Police Provident Fund or the Government Railways Superannuation Fund shall contribute to such fund at the same rate as that provided for by section twelve of this Act.

39. Section eleven of the Appropriation Act, 1887, is hereby repealed as from the first day of April, nineteen hundred and eight; and, in the case of any person who retires from the Civil Service after that date, any superannuation allowance to which he is entitled under the Civil Service Act, 1866, shall be calculated in the same manner as if the said section had not been passed.

SPECIAL PROVISION AS TO THE POLICE FORCE.

40. (1) On a day to be fixed by the Minister of Justice (being not later than six months from the coming into operation of this Act) a ballot shall be taken of the contributors to the Police Provident Fund on the proposal that such contributors shall become contributors to the fund established under this Act in lieu of the first-mentioned fund.

(2) The ballot shall be taken in such manner as the said Minister directs.

(3) If the result of the ballot is that a majority of the votes recorded thereat are in favor of the proposal, then, as from a date to be fixed by the Governor by notice in the *Gazette*, the following provisions shall apply:

(a) The Police Provident Fund shall be abolished, and the amount then standing to its credit shall be paid by the Public Trustee into the fund established under this Act.

(b) All contributors to the Police Provident Fund shall be deemed to be contributors to the fund established under this Act, and shall thereafter contribute thereto at the rate prescribed by this Act for the age of each such contributor at the date when his first contribution became payable under the Police Provident Fund Act, 1899.

(c) All retiring and other allowances then payable under the last-mentioned Act shall from time to time be payable out of the Public Service Superannuation Fund.

(d) The Police Force shall become part of the Public Service within the meaning of this Act, and the provisions of this Act shall apply thereto accordingly.

(e) One person to be elected by the members of the Police force from among their number shall be added to the Public Service Superannuation Board, which shall thereafter consist of eleven persons, and the provisions of section seven of this Act shall apply, *mutatis mutandis*, to any such election, save that the first election shall take place on a day to be determined by the Minister of Justice.

SPECIAL PROVISION FOR EMPLOYEES OF THE WELLINGTON AND MANAWATU RAILWAY COMPANY.

41. (1) The Minister for Railways may at any time, by notice in the *Gazette*, declare that the provisions of the Government Railways Superannuation Fund Act, 1902 (hereinafter referred to as the said Act), shall extend and apply to persons employed by the Wellington and Manawatu Railway Company (Limited); and, subject to the provisions of this section, such provisions shall be extended and apply accordingly as from a date to be fixed by the Minister in such notice.

(2) Every person who at the date so fixed is permanently employed in any capacity by the said company may at any time within six months after that date elect to become a contributor to the Government Railways Superannuation Fund, and if he so elects

he shall, subject to the provisions of the said Act and of this section, be entitled to all the benefits of the said fund in the same manner as if he had first entered the service of the Government Railways Department at the time when he so elects:

Provided that any such person may, if he so desires, pay into the said fund, either in one sum or in such payments as may be prescribed by regulations, the amount of contributions that would have been payable by him had he become a contributor on the first day of January, nineteen hundred and three (the date when the said Act came into operation), and in such case the benefits to which he is entitled shall be computed as from such last-mentioned date, and the rate of his contributions shall be the same as if he had become a contributor to the said fund on that date:

Provided also that, in consideration of the company paying into the fund by way of subsidy either a sum of five thousand pounds or the sum of one thousand pounds per annum for a period of five years (which payments the company is hereby authorized to make), the benefits accruing to any person in the employ of the company on the coming into operation of this Act, and who pays contributions as from the said first day of January, nineteen hundred and three, shall be computed on his full period of continuous service with the company.

(3) With respect to persons who after the date fixed by the Minister as aforesaid are first permanently employed in any capacity by the said company, it shall be a condition of their employment that they shall be contributors to the said fund and be entitled to its benefits:

Provided that before entering the company service every such person shall be required to pass the medical examination prescribed by the Government Railways Department in respect to persons who are entering the Government Railway service, and such examination shall be made by the Government Railway Medical Officer at the expense of the company.

(4) The said company shall from time to time, when requested by the Minister for Railways, furnish him with such information respecting the names of persons in its employ, their age, length of service, and otherwise, as he may require.

(5) The Governor may from time to time, by Order in Council gazetted, make such regulations as may be necessary for the carrying out of this section.



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